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COVID-19 IN MOROCCO: LABOR MARKET IMPACTS AND POLICY RESPONSES

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EXECUTIVE SUMMARY

This note presents an analysis of the impact of the Covid-19 crisis on the Moroccan economy, focusing on labor markets. The pandemic has caused unprecedented socioeconomic disruptions worldwide, compelling governments to take strong action in order to mitigate the adverse effects of the crisis on firms and households. Morocco was no exception in this regard. The global demand slump has severely affected the country's main trading partners, thus reducing a potential source of income; and health-related restrictions imposed to fight the pandemic exacerbated this trend.

As a result, the Moroccan economy is struggling today to keep the private sector afloat and preserve citizens' livelihoods. But as the crisis persists and firms continue to suffer from economic distress, they are forced to downsize their workforce, thus triggering a downward spiral. It is crucial that effective action be taken promptly in order to preserve the efforts invested over the past years by the government to get people out of poverty.

Morocco's quick, strict response to Covid-19 was relatively effective in limiting the spread of the virus. The strict lockdown proved to be important in containing the virus, especially given the fragility of the country's health system characterized by low bed and physician capacity per person, and large inequities in access to medical services. But its upshot was a bleak economy struck at close range by severe supply and demand shocks, which are exacerbated by the interconnected nature of today's economies. Compared to 2019, the second semester of 2020 featured grim export, employment and household consumption figures. A major feature of the current crisis is that populations previously disadvantaged in the workforce, such as informal workers, females, and youth, will likely face even harsher consequences, and preliminary evidence substantiates this. In the face of these events, the government filled the vacuum by financing social programs and relief packages for firms, at the expense of an ever-growing fiscal deficit due to the combination of declining tax revenues and additional spending. It remains that these measures have played a crucial role in helping households and firms weather the economic shock. First, cash transfers provided a much sought-after substitution revenue for workers. Second social and health insurance measures allowed workers from the formal sector to continue benefiting from essential services in pandemic times. Third, active labor market policies helped firms meet their financial obligations while also reducing the strain on workers. Fourth, the recovery plan introduced in early August 2020 contains specific measures targeting vulnerable sectors (e.g., tourism), the youth, and an ambitious social reform.

Yet, enforcing a set of measures does not equate to a way out of the crisis. At a time of high uncertainty surrounding the end of the crisis, the measures implemented in Morocco need to be thoroughly monitored and their impact carefully evaluated in order to ensure their effectiveness. At the same time, the international experience can shed light on much of the ongoing policy discussions in Morocco. From Peru to India, a reliable data architecture to target the disadvantaged has proved to be a winning strategy in pandemic times, a strategy that can be enhanced by using cash transfers and public works to support workers from the informal sector. Morocco can also leverage other countries' experience in empowering women and strengthening their economic security, especially as they are likely to be particularly affected by the economic crisis. Lastly, Covid-19 has once again brought to the forefront the long-lasting issue of skill mismatch in Morocco: the way out will necessarily encompass identifying skill needs, retraining workers and incentivizing labor mobility.

1. INTRODUCTION

Beyond the tolls on health faced by families in response to the Covid-19 pandemic, families have also had to deal with the crippling economic shocks resulting from the crisis. Morocco responded to the crisis with a state of emergency, imposing a strict lockdown in an attempt to minimize the spread of the virus. While response measures helped to slow the death and fatality rates of the virus better than other countries around the world, the lockdowns and global economic slowdown also resulted in shocks to the economy. Household consumption has fallen by over 20% between 2019 and 2020, an already high youth unemployment rate pre-pandemic rose 11 percentage points further to 33%, and an already low female labor force participation rate is also likely to decrease further.

The Moroccan government has also introduced notable efforts to soften the economic impacts of the crisis through generous support to firms and households. Although these efforts have been successful to an extent, the Moroccan government can benefit from learning what other policies have been adopted worldwide and evaluating their own policies. Through continuous evaluation of existing policies and refinement of policies and programs based on what has worked in Morocco and international best practices, the government can further enhance their pandemic response strategy. While no policy solution will be able to compensate for the damage done by the pandemic, and while the end of the pandemic is unknown, the government can continue to enhance its response to find effective ways to soften the impact of Morocco's economy and citizens' livelihoods while ensuring the safety and health of its citizens.

The objective of the paper is to inform the Moroccan government's pandemic response. Section 2 lays out the health situation and health response measures of the pandemic in Morocco. Section 3 then outlines the economic impacts of the crisis, with a focus on how the interconnected nature of economies has reverberating impacts throughout all sectors and actors of the economy. Section 4 details the policy responses adopted by the government in responding to the economic impacts. Finally, Section 5 provides an overview of economic response policies adopted by other countries that could be useful for Morocco to consider. Section 6 concludes.

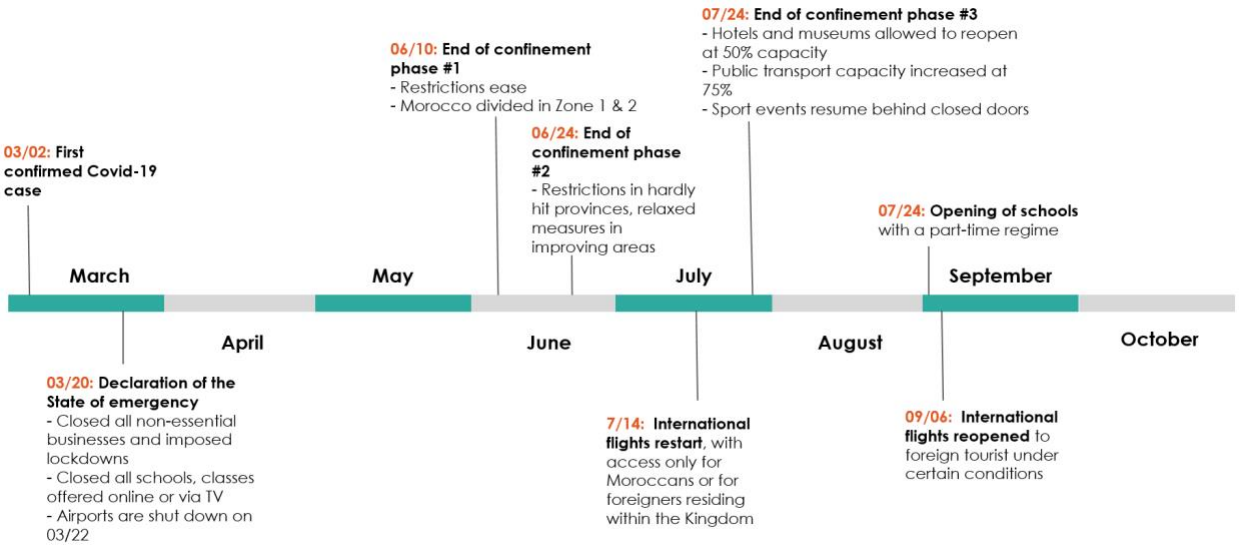
The paper is the first of two papers that will be written on the subject. The following paper is based on publicly available administrative data, existing reports, and discussions with stakeholders. In a second report, which will be delivered in 2021, we aim to collect further administrative data and launch tailored surveys to better assess the impact of the pandemic on the economy, and be able to provide more concrete recommendations for further policy and program responses.

2. THE COVID-19 PANDEMIC IN MOROCCO: THE HEALTH CONTEXT

2.1 EVOLUTION OF COVID-19 CASES AND PUBLIC HEALTH MEASURES

With more than 35 million cases worldwide, for all countries, the spread of Covid-19 has led to major disruptions in the health care system, as well as the economic behavior of households and firms. The crisis has led to the need for government action, to both ensure that the public health system would not be overwhelmed, but also to help alleviate the economic challenges that citizens and firms have faced both due to the public health restrictions but also due to the global economic slowdown.

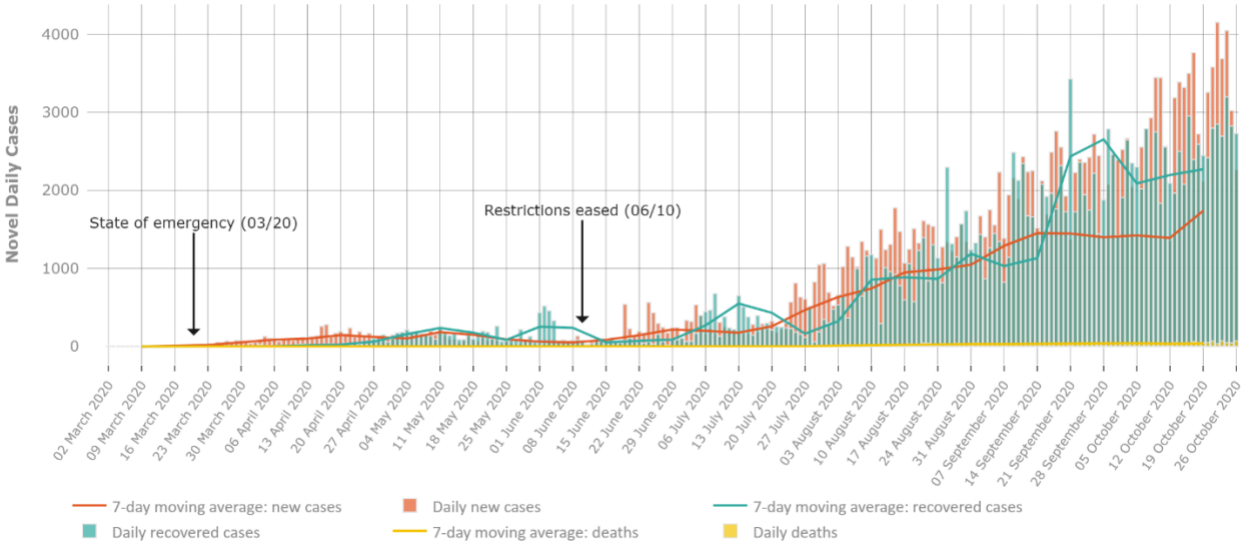
Figure 1: Timeline of Covid-19-related measures taken by the Moroccan authorities



Morocco recorded its first case of Covid-19 on March 2nd, 2020 and quickly adopted very restrictive measures to contain the spread. On March 20th, when the country only had a dozen confirmed cases, Moroccan authorities declared a state of health emergency. Since then, this state of emergency has been extended several times and will continue to be in place at least until December 10th, 2020. As shown in Figure 2 below, during the lockdown, the pandemic followed a controlled trend, with an average case fatality rate of 4%.[1]

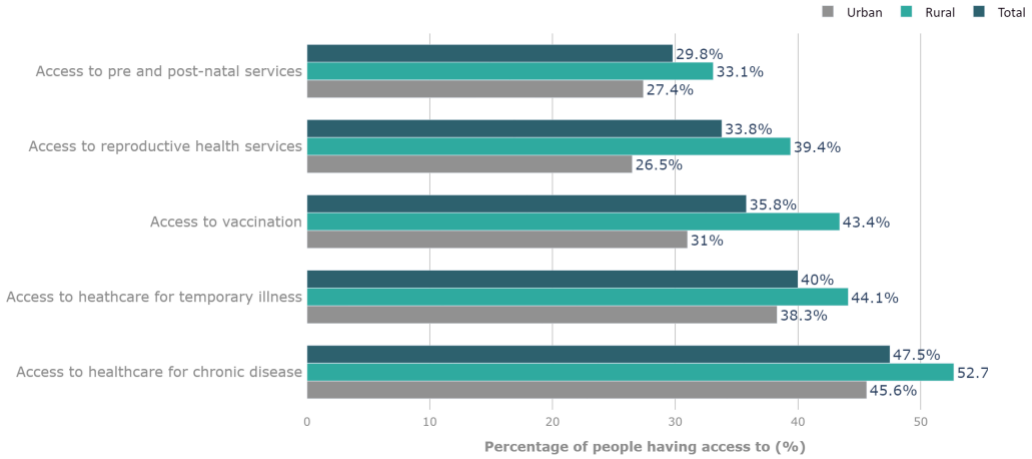
[1] Ministry of Health.

Figure 2: Evolution of declared Covid-19 cases in Morocco, recovered cases and fatalities



A close look at the evolution of fatalities from Figure 3 below reveals that there were less than ten deaths between March and July, but fatalities experienced a steady increase since August, at around 40 per day.

Figure 3: Evolution of fatalities due to Covid-19 in Morocco

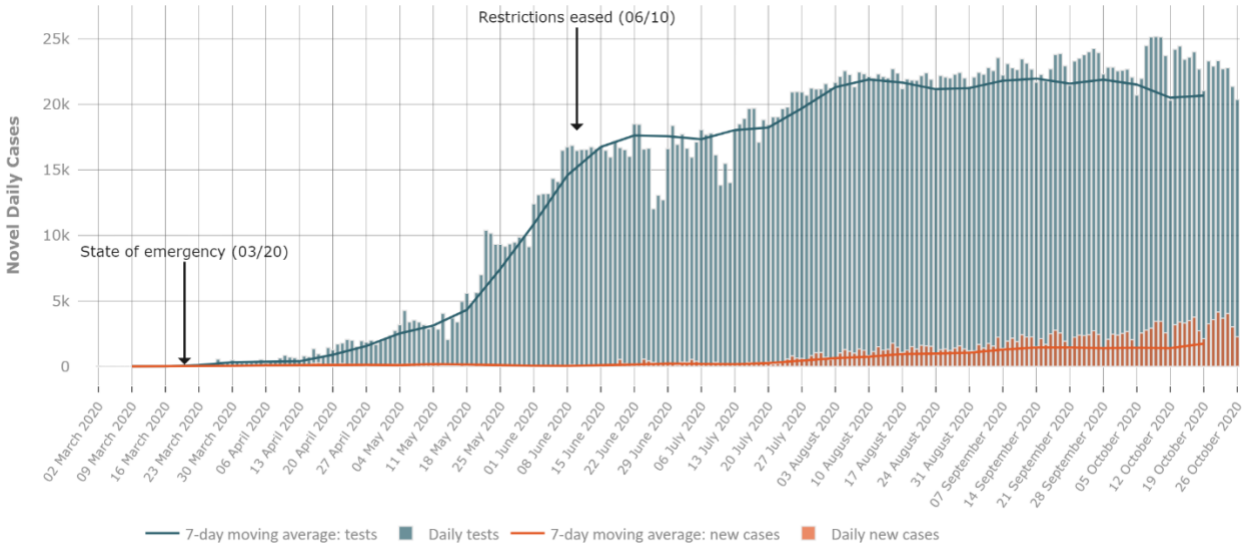


Source: Ministry of Health

After three months of strict lockdown, these encouraging epidemiological indicators allowed for a gradual ease of the restriction measures. While many countries were reopening their economies, Morocco stuck to its line of caution and only partially reopened certain areas starting June 10, 2020. "Zone 1", that includes the less populated regions and small and medium-sized towns, returned to an almost normal life while “Zone 2” remained confined until further notice. “Zone 2” encompassed the major cities: the capital, Rabat, the economic heart of the country, Casablanca, the main tourist destination, Marrakech, as well as the large port of Tangier. According to data published by the Ministry of Health, the number of infections was established on the eve of relaxing lockdown measures to 8,437 confirmed cases, including 210 deaths. The case fatality rate reached 2.5% and the number of those recovered continued to improve, reaching 89% of affected cases.

Following the end of confinement, the pandemic situation evolved rapidly and, in response, Morocco scaled up its capacity to administer Covid-19 tests. The appearance of a set of industrial and family clusters was associated with a higher incidence rate and led to an increase in the number of cumulative cases since the break of the crisis: as of October 6, 2020, there were 132,248 confirmed cases. Since mid-May, Morocco increased its capacity to administer Covid-19 testing. In June, it launched and widely publicized the mobile application "Wiqaytna" that sends notifications to citizens when exposed to individuals with Covid-19 cases.

Figure 4: Evolution of testing capacity in Morocco



Source: Ministry of Health.

2.2 ACCESS TO HEALTH SERVICES

While this is an ever-changing situation, to date, the country's strategy has shown to be effective in limiting the spread of the virus, at least during the first phase of the propagation. As shown in Table 4 below, compared to other countries, Morocco has a fatality rate that is lower than the Middle East and North Africa (MENA) average and also lower than many European or North-American countries. Of course, all these numbers must be compared with caution as they are strongly correlated with the number of tests that are administered in the country and the demographic characteristics of the population that got tested.

Table 1: Covid-19-related health Indicators for North African countries and Morocco's main economic partners

COUNTRY	POPULATION (MILLIONS)	TESTS (PER 1 MILLION)	CONFIRMED (PER 1 MILLION)	RECOVERED (PER 1 MILLION)	DEATH (PER 1 MILLION)	FATALITY RATE (%)
Morocco	37.0	73,785	3,638	3,061	64	1.8
Algeria	44.0	N/A	1,186	832	40	3.4
Tunisia	18.5	21,136	1,876	425	27	1.4
Egypt	102.8	1,313	1,009	947	58	5.7
Mauritania	4.7	17,330	1,607	1,539	35	2.2
US	331.5	339,360	23,165	14,766	649	2.8
France	65.3	177,854	9,558	1,511	495	5.2
Spain	46.8	292,769	17,396	3,216	689	4.0

Source: The World Bank.

The enforcement of strict measures was also prompted by the fragility of the health system and its limited capacity to manage a wide contamination wave. As shown in Table 2 below, at the beginning of the Covid-19 pandemic, Morocco had a low bed and physician capacity per person compared to countries with similar revenues in the MENA region. Moreover, as pointed by several studies, there is a strong inequality in access to the health care system. The 2016 World Bank Memorandum documents show that at least a quarter of rural households live at least ten kilometres away from basic health services and that transportation cost is still a major barrier for accessing health care. As an example of the rural/urban divide, the share of births attended by skilled health personnel averages 63% in rural areas, compared with 92% in urban areas.[2]

[2] The World Bank, "World Development Indicators".

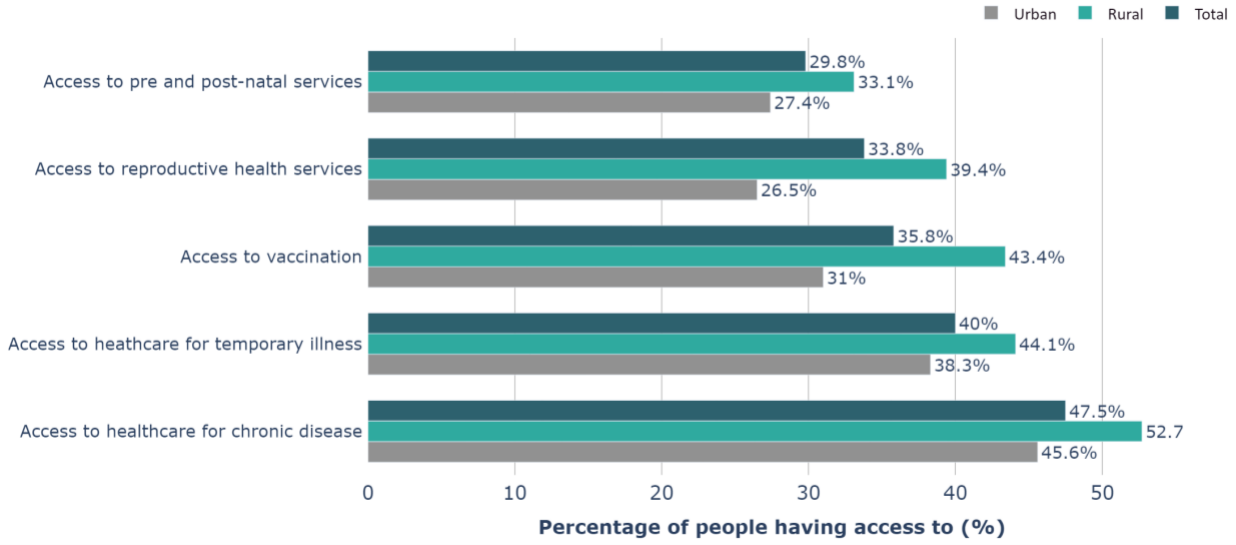
Table 2: Pre-Covid-19 health indicators

COUNTRY	HOSPITAL BEDS IN 2014 (PER 1 THOUSAND)	PHYSICIANS IN 2017 (PER 1 THOUSAND)
Morocco	1.1	0.7
Algeria	1.9	1.8
Tunisia	2.2	1.3
Egypt	1.6	0.8
MENA	1.6	1.3
US	2.9	2.6
Europe	6.5	3.7

Source: The World Bank, "World Development Indicators".

The lockdown measures also hindered access to healthcare services, especially in rural areas. A survey conducted in April 2020 by *Haut Commissariat au Plan* (HCP), the Moroccan bureau of national statistics, revealed that among all households with one or more members suffering from chronic illnesses (30%), nearly half (48%) did not access health services, 46% in urban areas and 53% in rural areas.

Figure 5: Access to health care services in Morocco



Source: HCP, "Enquête sur l'impact du coronavirus sur la situation économique, sociale et psychologique des ménages", May 2020.

2.3 WHAT DOES THIS MEAN FOR POLICY?

Strict lockdown measures have shown to be effective in limiting the spread of the virus, at least during the first phase of the propagation. But, as we will discuss in greater detail in the next section, these measures have also limited economic activities and have disproportionately affected certain groups of the Moroccan population. With an increasing trend in the number of cases and deaths, the situation remains highly uncertain. In this

unforeseeable context, special attention should be paid to the trade-off between strict lockdown measures that favor public health safety and their general welfare impacts.

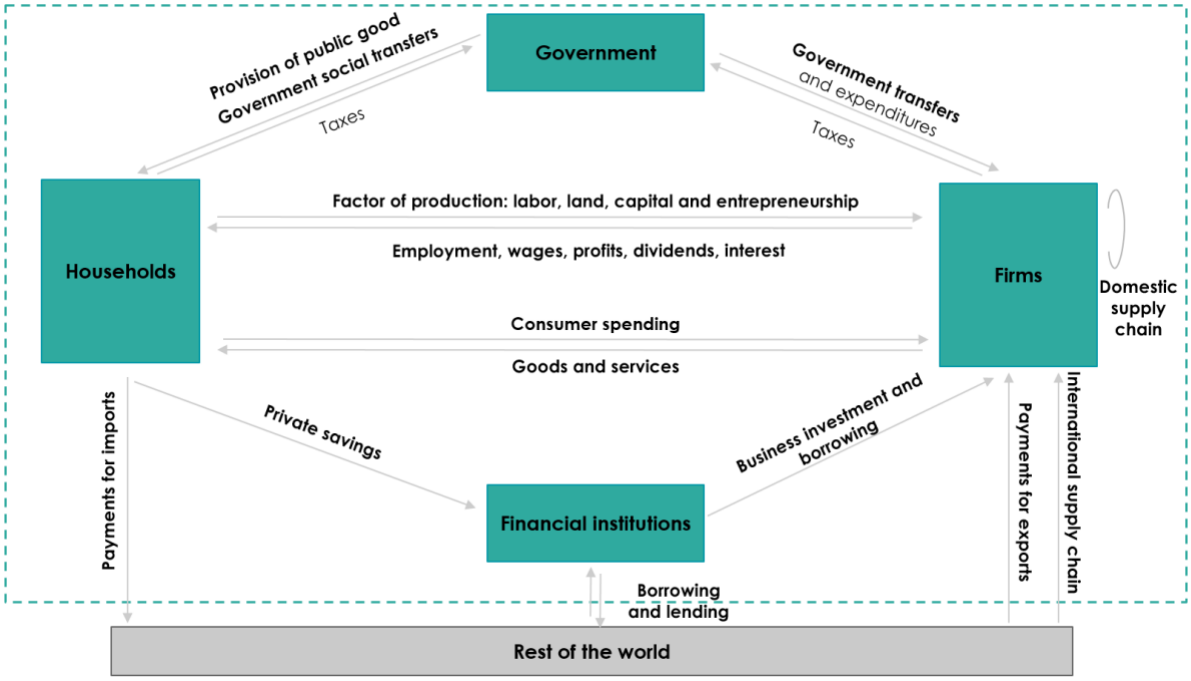
3. UNDERSTANDING HOW THE HEALTH CRISIS PERCOLATES THROUGH THE MOROCCAN ECONOMY

3.1 GENERAL FRAMEWORK AND LABOR MARKET IMPACTS

Policy discussions worldwide have largely focused on the impact of Covid-19 on employment and health. While the negative effects on these two sectors are significant, it is not just ministries of labor and health that are grappling to deal with the effects. Economies are incredibly interconnected, with effects in one sector or among one set of actors having ripple effects into multiple others. As Pierre-Olivier Gourinchas, a French economist, put it: "A modern economy is a complex web of interconnected parties: employees, firms, suppliers, consumers, banks and financial intermediaries. Everyone is someone else's employee, customer, lender, etc.".

Understanding the interconnectedness of different sectors and actors is essential to making informed and effective policy decisions. The process of policy design must consider not just the impact on the directly associated sector or population, but also on all the sectors and stakeholders that could be indirectly affected due to a change in incentive structures or spillover effects. The extent to which different actors are connected is not always clear cut, so policies require careful consideration at the design stage. Once launched, new policies also require rigorous, continuous monitoring, as they could result in unintended consequences that were not initially anticipated or accounted for. The diagram below provides a simple representation of the interconnections between the different actors of the economy.

Figure 6: Schematic representation of the economy



Source: Authors.

The economy is broken down into four main actors within a country: the government, households, firms, and financial institutions, all of which also interact with the outside world. Households include all the individuals of the economy. They contribute to and benefit from actions taken by all other actors: (1) the government, as recipients of social programs and through tax contributions, (2) firms, as suppliers of labor and profit through spending, and recipients of wages and consumers of goods and services, (3) and financial institutions, through their private saving contributions, loans they might contract and then repay. Firms also interplay with different actors: (1) the government, by paying taxes and receiving government transfers, (2) households, as described before, and (3) financial institutions through borrowing and business investments. Actors within an economy also interact with the rest of the world through import payments (households), borrowing and lending (financial institutions), and export payments and supply chains (firms).

The extent to which all actors are interconnected illustrates how a change among one set of actors could influence others. Particularly in the case of Covid-19, a disruption in any of the depicted flows could cause a slowdown throughout the rest of the economy. Similarly, a policy change aimed at supporting one set of actors has implications for the rest of the economy as well. In the next subsection, we will detail how Covid-19 specific impacts could influence other facets of the economy.

3.2 COVID-19 IMPACT ON FIRMS AND HOUSEHOLDS

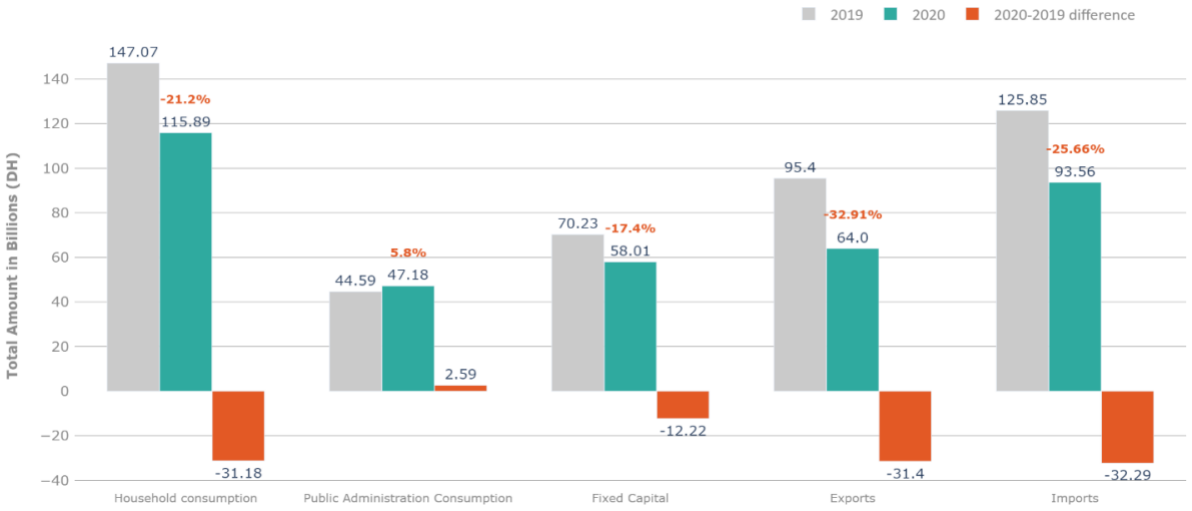
3.2.1 SIMULTANEOUS SUPPLY AND DEMAND SHOCKS

IMPACT OF REDUCED CONSUMER DEMAND ON MOROCCO'S GOVERNMENT REVENUE & TRADE BALANCES

The disruptions brought about by the Covid-19 pandemic as well as the broader policy directives such as enforced lockdowns result in supply and demand shocks impacting firms and consumers, respectively. In Morocco, the interconnectedness between the economy's building blocks described in Figure 5 above can be illustrated by the reduction in the demand for goods and services from different actors: Moroccan government, firms, households as well as foreign economic partners. As seen in the Figure 6 below, household consumption fell 21% between the second quarters of 2019 and 2020, while firm consumption of fixed capital fell by 17%.[3] The economic slowdown resulted in an import reduction (-26%) which was topped by export decrease (-33%), further exacerbating Morocco's pre-existing trade deficit. This reduction in both domestic and global demand creates significant fiscal pressure and an increase of the public debt. Indeed, the combination of declining tax revenues and additional spending to address Covid-19-related needs will further exacerbate the fiscal deficit. In this context, and in order to maximize their efficiency, any policy measures aimed at helping households and businesses cope with the pandemic must be well targeted.

[3] HCP.

Figure 7: Impact on goods and services consumption, 2019 Q2 - 2020 Q2



Source: Authors computations based on HCP data.

IN THEORY: EXPLAINING DRIVERS AND IMPACTS OF SIMULTANEOUS SUPPLY AND DEMAND SHOCKS

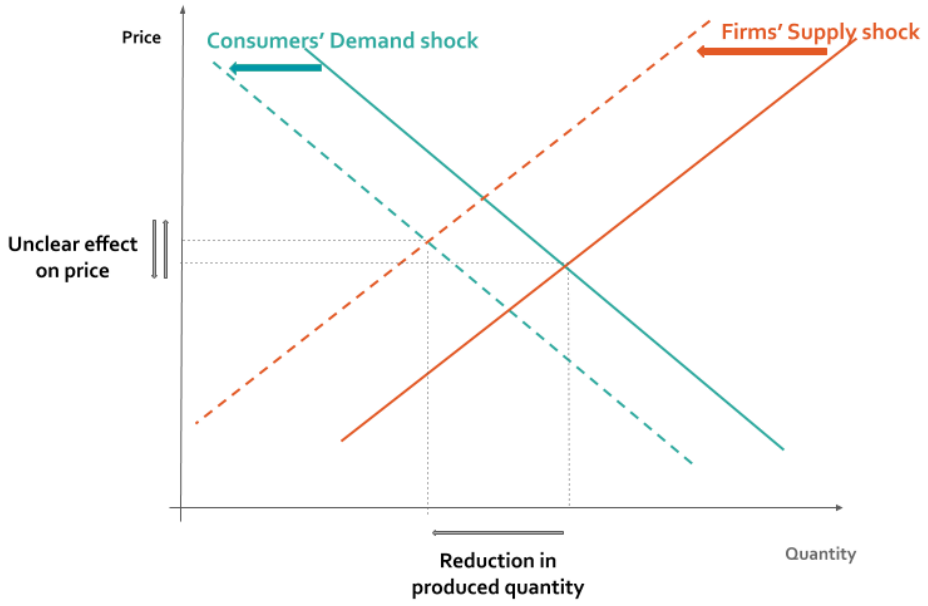
The supply and demand shocks faced in Morocco can be better understood, and consequently better addressed, by examining the theory behind such shocks. Firms have faced different types of supply shocks. As the pandemic and lockdown measures limit workers' ability to be physically present at their jobs, firms lose access to the human capital they need to produce goods and services. This results in a first supply shock that reduces firms' productive capacity and which is compounded by the fact that the pandemic equally affects domestic and international supply chains. As their economic partners need to adjust their production in response to the crisis, firms face major challenges in maintaining their supply of goods and services. Both supply shocks have caused the treasury of firms to come under pressure, which prompted the government to introduce subsidized loan programs aimed at financing working capital requirements (as will be discussed in Section 4), as a prerequisite to limiting the reduction in firms' capacity of production.

Alongside reduced supply of goods and services occurs a reduced demand for the same goods and services among consumers. Consumers may limit their demand for goods and services because they choose to no longer go to restaurants or shops, fearing contagion, or because imposed lockdowns prevent them from travelling to enjoy such services. More importantly, consumers may reduce their demand because the economic crisis has caused them to lose their jobs, thereby reducing income that can be spent on goods and services. These factors together contribute to a consumer demand shock.

Figure 7 below illustrates the consumer demand and firm supply shocks. Occurring together, they result in a clear reduction in the quantity of goods and services available in the economy. Their effect on price, however, is not as clear, and depends on which of the two effects is larger. If the firm supply shock is larger, it will result in an increase of the prices of goods and services: if their quantity is reduced more than demand for them is reduced, their price will increase. The same number of people will be competing for a limited number of goods, raising the price people are willing to pay to secure the goods. Alternately, if the reduction in consumer demand is larger than the reduction in firm supply, the price of goods and services will decrease. Fewer people would be competing for a good or service, making it less valuable.

The price of a good or service could increase or decrease depending on several factors. For instance, consumer demand for staple products, such as rice and bread, or services, such as routine doctor visits, likely will not be reduced much during Covid-19. Thus, as they become harder to produce, their price might increase. On the other hand, demand for non-essential goods or services, especially those requiring social exposure, such as amusement parks, or products not used during lockdown, such as business apparel, will likely reduce greatly. As long as their supply is not reduced by the same amount, their price will likely decrease.

Figure 8: Demand and supply for goods produced by firms



Source: Authors.

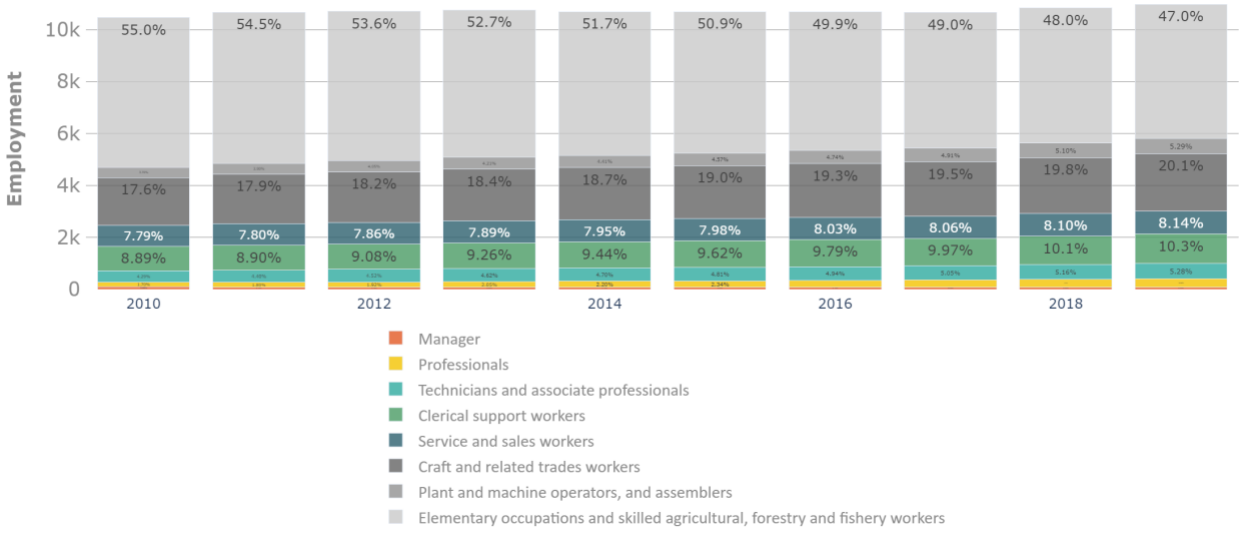
3.2.2 WHAT ABOUT THE DEMAND FOR WORKING HOURS AND EMPLOYMENT?

MOROCCO'S REDUCED DEMAND FOR LABOR AFTER COVID-19 IN THE FORMAL SECTOR

In this section we will highlight the change in demand for labor among Moroccan firms in the formal sector amidst the pandemic, and how the change has impacted other actors and sectors of the country's economy. Prior to the pandemic, the Moroccan economy was dominated by services and most of the labor force was concentrated in elementary occupations (e.g., agriculture, forestry, fishery). Indeed, services accounted for 44% of total employment, with the share of agriculture steadily decreasing but still accounting for about a third; and industry representing a little over 20% of employment (see Figure 30 in the Appendix). Almost 50% of the labor force worked in elementary occupations and plant operating operations, as shown in Figure 8 below.[4]

[4] ILO, "Labor Market Indicators".

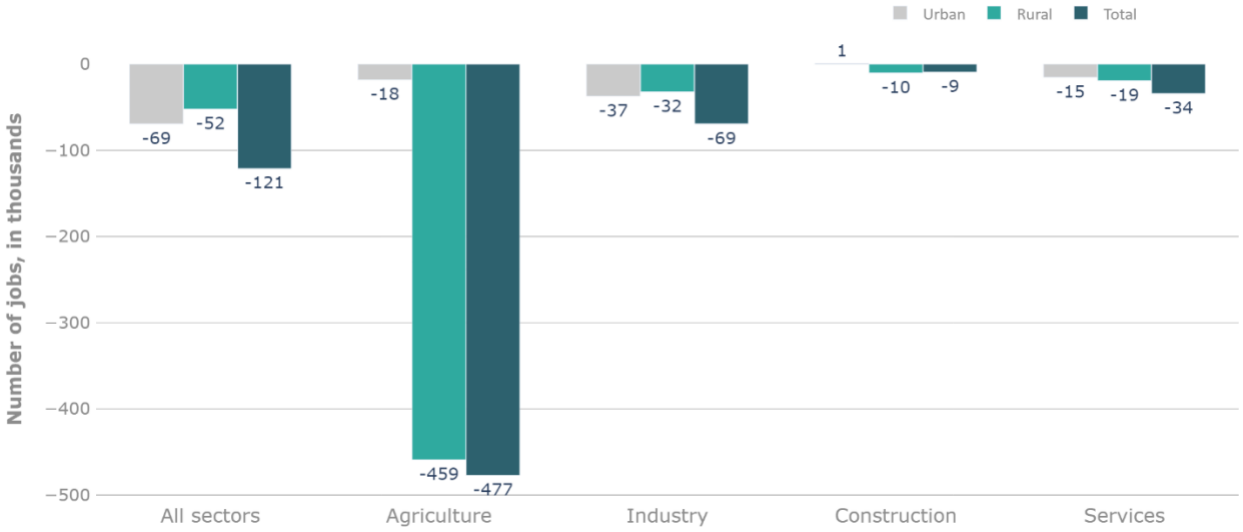
Figure 9: Composition of the Moroccan labor force before 2019



Source: ILO, "Labor Market Indicators".

Following Covid-19, there were significant reductions in the number of jobs across all sectors. The total number of jobs fell by nearly 600,000 across all sectors and regions, 477,000 in agriculture, and 34,000 in services.

Figure 10: Evolution of employment in Morocco between 2019 Q2 and 2020 Q2



Source: Authors' computations based on HCP, "La situation du marché du travail au deuxième trimestre de 2020", June 2020.

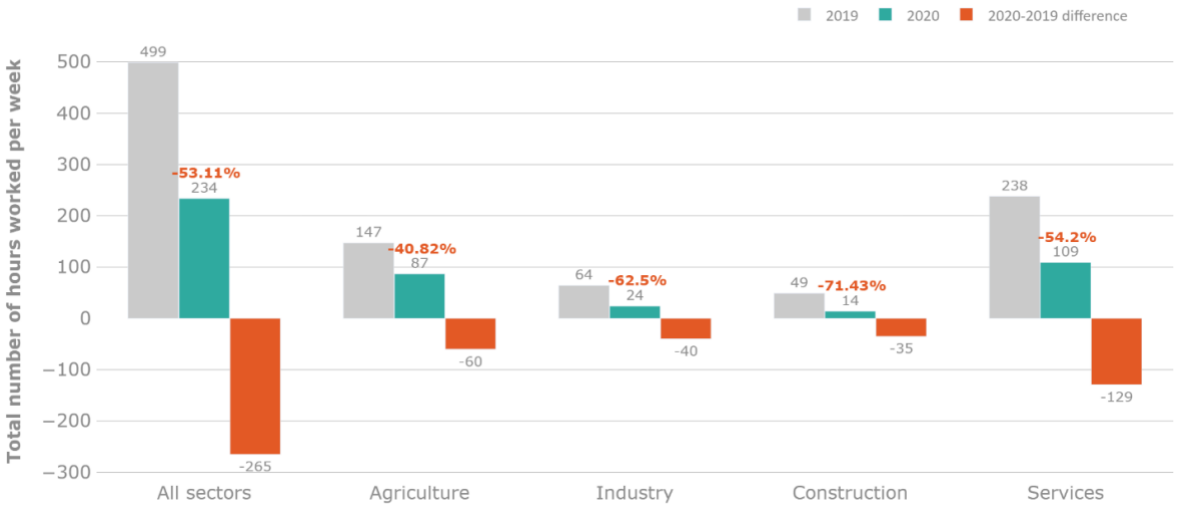
In principle, employers could have rebalanced their workforce by reducing its size while keeping the number of hours worked unchanged. As seen in Figure 10 below, this was not the case: the average number of hours worked also dropped in all sectors between the second quarters of 2019 and 2020, with the sharpest decline observed in the construction sector (-70%).

Figure 11: Evolution of average hours worked per week between 2019 Q2 and 2020 Q2

Source: Authors' computations based on HCP, "La situation du marché du travail au deuxième trimestre de 2020", June 2020.

Figure 11 below shows that the decrease in both number of workers and average hours worked resulted in a 53% decline in the total number of hours worked at the national level that affected all sectors: construction (-71%), industry including crafts (-63%), services (-54%) and agriculture (-41%).[5] Taken together, these graphs show that the adjustment was quite different from one sector to another: while, in agriculture, we mostly see a reduction of the number of workers, it mostly translated into a reduction in the hours worked per week in other sectors.

Figure 12: Evolution of total number of hours worked per week between 2019 Q2 and 2020 Q2



Source: Authors' computations based on HCP note, "*La situation du marché du travail au deuxième trimestre de 2020*", June 2020.

[5] HCP, "*La situation du marché du travail au deuxième trimestre de 2020*", June 2020.

Available data reveal that not all skill groups were equally impacted by the Covid-19 crisis. Statistics collected by HCP highlight that most of those laid off due to the crisis were unskilled workers (56%).[6] Because of the pre-existing labor demand structure across sectors, the share can go as high as 67% in the manufacturing sector and 74% in the construction sector, suggesting that unskilled workers are the most exposed to adverse shocks (see Figure 31 in the Appendix). It follows that policies targeting workers should account for heterogeneity among the labor force, notably in terms of qualification. Workers who have been laid off due to the Covid-19 crisis can still get a chance to find a new job if appropriate search structures are put in place, as will be discussed in Section 4.

The duration and magnitude of the labor demand slump will depend on various factors, such as how long the pandemic remains an untreatable threat, and how well impacted industries can recover. In a survey conducted by the World Bank in July 2020[7], 68% of firms interviewed reported having to close at least temporarily due to the Covid-19 pandemic. Nearly 11% had permanently closed, with only 40% among this group anticipating a potential reopening sometime in the future. It remains that the shock has been brutal and even surviving firms have significantly reduced their workforce.

To cope with the reduction in consumer demand, firms adopted different strategies. In the same World Bank survey, 28% of the firms started or increased their business activity online while 25% increased their delivery or carry-out of goods or services. Note that only 22% of the surveyed firms were able to implement remote work arrangements for their workforce, which might explain why the reduction in labor force has been so drastic.

PRE-EXISTING CHALLENGES IN THE MOROCCAN LABOR MARKET

The labor market challenges brought upon by the pandemic are on top of an array of challenges that existed before the pandemic. The Moroccan labor market had a relatively high unemployment rate even prior to Covid-19, largely attributed to (1) low labor force productivity due to low education attainments and quality, and (2) low private investment, growth in small and medium enterprises (SMEs) and high-skilled sectors, in part due to strict labor market regulations which result in low returns on private investment.

A primary driver of low labor productivity was a skills mismatch among the existing labor force and skill-sets needed by employers. University graduates constituted 20-28% of the unemployed population since the 2000s due to an oversupply of skilled labor especially in STEM (Science, Technology, Engineering and Mathematics) professions: the rate at which STEM jobs were created was too slow to absorb the cohorts of young graduates. There were also significant spatial mismatches, with unemployment far higher in rural areas in 2019 (55%) relative to urban areas (35%) due to slow job growth in rural areas and poor access to transport infrastructure. The pandemic could exacerbate these mismatches if youth continue to pursue higher education at the same rates, while sectors in demand for high-skill employees are not able to recover from the pandemic.[8] In the short run, low-skilled workers are likely to be more adversely impacted than their high-skilled counterparts since the former are less able to adopt remote work. In the long run however, the differential impact of the pandemic is unclear. Indeed, high unemployment among university graduates might be exacerbated if the demand for high-skill occupations does not return to the pre-crisis level.

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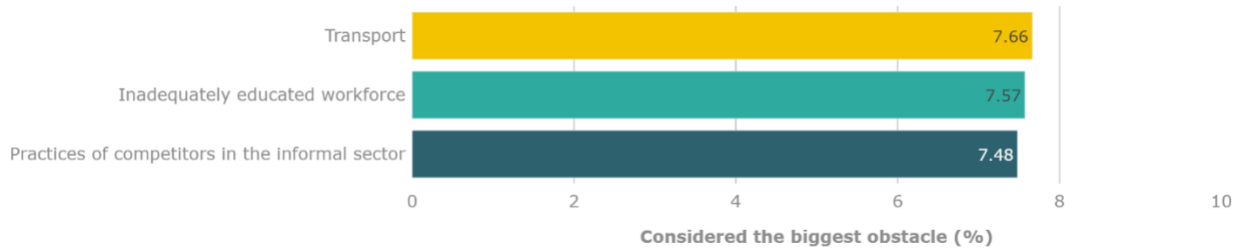
[6] HCP, "*Reprise d'activité des entreprises suite à la levée du confinement*", July 2020.

[7] The World Bank, "Enterprise Surveys", 2020. In a follow-up to the World Bank Enterprise Surveys implemented in Morocco in 2019, firms were asked about the impact of Covid-19 on their business activity and work organization.

[8] The *World Bank, "*Morocco 2040: Emerging by Investing in Intangible Capital*", 2018*.

Figure 13: Top obstacles to business activity as perceived by the firms



Source: The World Bank, "Enterprise Surveys", 2019.
Note: The three obstacles most frequently chosen as top obstacles by firms are shown on this graph.

Other predominant labor force challenges pre-pandemic could also be exacerbated with Covid-19. In a firms' survey conducted by the World Bank in 2019,[9] firms cited transport as the most commonly chosen top obstacle, closely followed by an inadequately educated workforce, as shown in Figure 12 below. When restricting the sample to medium sized firms, labor regulations also appear to be often cited as a main obstacle. Covid-19 could further amplify these challenges, as it becomes more difficult to pay taxes and more strenuous to have to follow labor regulations with the added challenge of dealing with pandemic repercussions. If they find abiding to the regulations too cumbersome, it may push firms towards informality to avoid them, which in turn would increase informality - which is already high in the Moroccan economy.

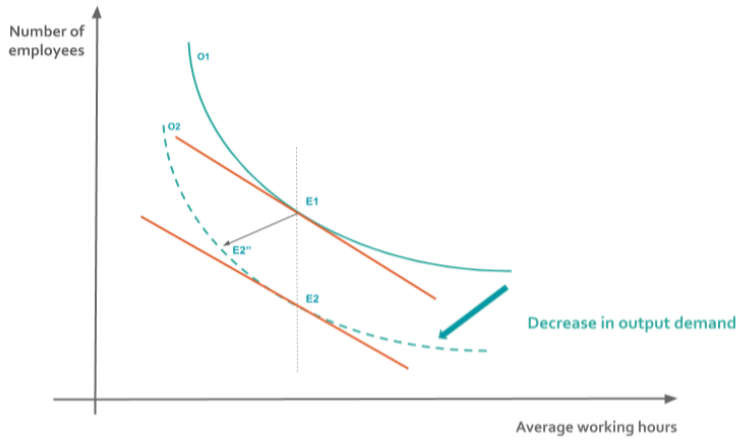
IN THEORY: WHY DOES LABOR DEMAND DROP DURING SHOCKS?

The labor force in any economy is defined as the number of people who are either working or actively looking for work. Unemployed individuals are counted as part of the labor force if they are not employed, are available for work during the following week, and actively looking for a job or temporarily laid off and expecting to be recalled to their job.

Labor supply in a given economy or firm is calculated as the sum of all employees, and average hours they work. Figure 13 below illustrates how the labor supply is impacted by a negative shock such as the one induced by Covid-19. Curve O1 shows all combinations of the number of employees and average hours required in order to produce the pre-shock level of output. The more hours worked, the less employees a company will need. Alternately, the more employees they hire, the less hours each will have to work on average. Following a shock such as the one induced by Covid-19, the level of output demanded in the economy decreases compared to its pre-shock level. This is illustrated by curve O1 shifting downwards. As can be seen from curve O2, reduced output is associated with reduced labor demand by firms. In the specific case of Covid-19, the supply of labor can be further impacted if individuals fearing contagion choose not to work, or if the government imposes lockdown measures.

[9] The World Bank, "Enterprise Surveys", 2019.

Figure 14: Decrease in number of employees and average number of hours per week as a response to a demand shock



Source: Authors.

IN THEORY: WHY DOES LABOR DEMAND DROP DURING SHOCKS? (CONTINUED)

What level of labor will be demanded by firms following the shock? The straight lines or isocost lines represent all combinations of employment and average hours that can be purchased at a given total labor cost by firms. For example, for USD 1,000, a firm could hire 10 workers for USD 10/hour to work for 10 hours each, or 20 workers at the same rate for 5 hours each. The point at which the isocost line and the output demand curve intersect represents the combination of number of workers and average hours that minimize the firm's cost: this is the equilibrium at which firms choose to set their labor demand.

Uncertainty about the timing and length of the shock can lead to different dynamic adjustment in hired labor force. When there is a reduction in the demand for the goods they are producing (represented by a shift from O1 curve to the O2 curve), firms would ideally shift their labor demand to reach equilibrium point E2, which implies reducing their workforce but keep the same average working hours for all employees. However, firms often face transaction costs when reducing their workforce. For instance, companies may be reluctant to fire workers if they see the shock as being transitory. Indeed, dismissing workers implies losing investments made in human capital to develop specific skills. Moreover, firms would incur search and training costs associated with finding and training new hires. As a result, firms could choose to reduce the average number of hours worked without changing the total number of employees.

In the case of Covid-19, employers are unclear about when regular business conditions and pre-shock demand level will resume and whether a vaccine would be available. Consequently, firms worldwide face the difficult decision of whether to dismiss employees and reduce working hours or continue employing at pre-shock levels. In the first scenario, firms risk losing their human capital investment and even employee capture by rival firms if the shock is transitory; in the second scenario firms will be paying for unused human capital.

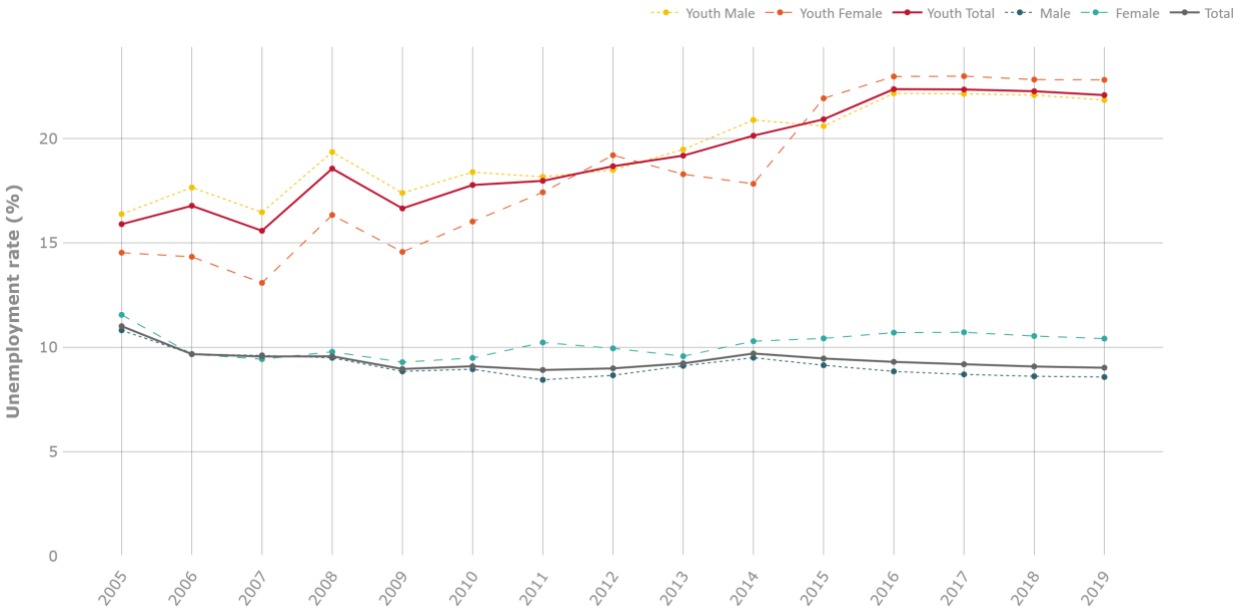
3.2.3 THE LINK BETWEEN SUPPLY SHOCKS AND DEMAND SHORTAGES

HOW HAS THE CHANGING LABOR DEMAND AFFECTED THE YOUTH?

While the interconnectedness of economies means all actors are affected by shocks, there are some subgroups or sectors disproportionately affected. Aside from employees that work in heavily service oriented sectors, specific demographic groups can also be disproportionately affected, regardless of which sector they work in. These include youth, females, informal workers, and migrants.

Youth were disproportionately unemployed, even prior to the pandemic. In 2019, the average unemployment rate among youth (15-24 years old) was above 20% – twice as high as the average unemployment rate, as seen in Figure 14 below. When time-related underemployment (defined as the number of hours an employee would be willing to work but is not working in practice) is factored in, unemployment is even higher. As seen in Figure 32 in the Appendix, the time-related underemployment and unemployment rate among youth was 32% before the pandemic in 2019.

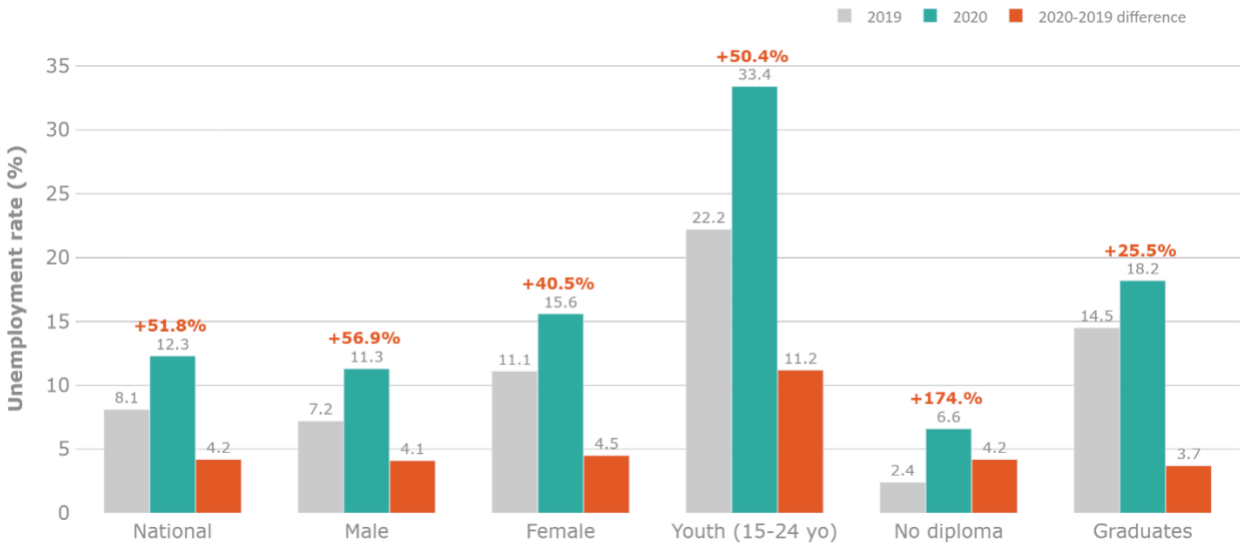
Figure 15: Unemployment rate in Morocco by gender and age, 2005-2019



Source: ILO, "Labor Market Indicators".

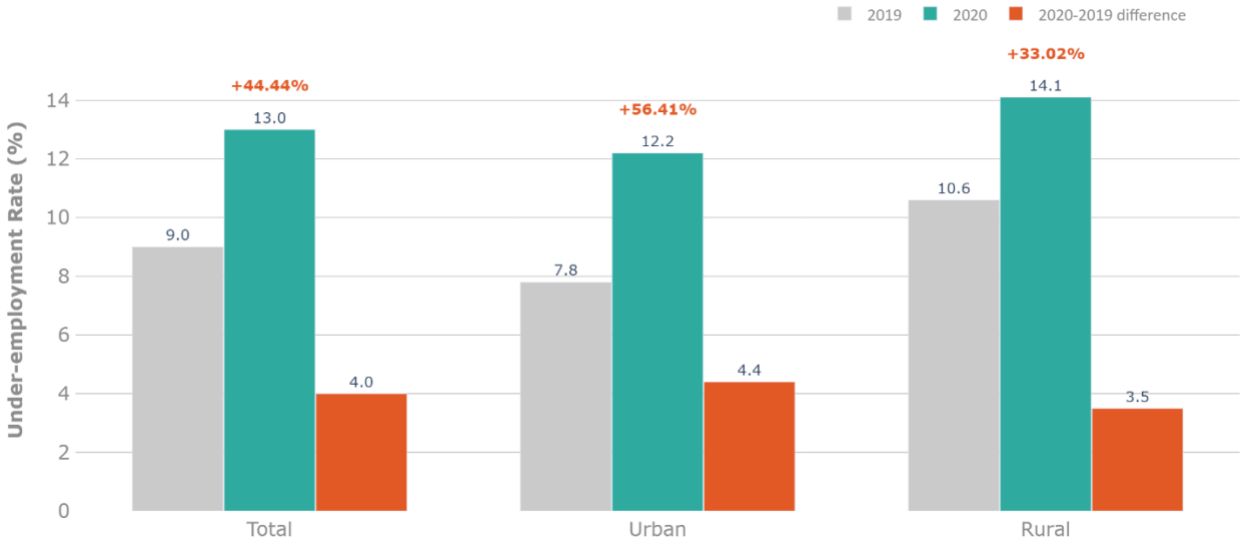
Following Covid-19, the youth unemployment rate rose by eleven percentage points, to above 33%. This is a striking increase compared to the four percentage point increase in the overall unemployment rate (see Figure 15 below). It is also worth noting that university graduates did not enjoy an employability premium. Their unemployment rate in the second quarter of 2019 was already higher than that of non-graduates, and the gap increased in the second quarter of 2020. As expected, the average hours worked per sector has also decreased. The disproportionate increase in youth unemployment could partly be caused by the fewer years of work experience youth have. When deciding who to lay off, firms may select workers they have invested in more rather than fresh graduates. Youth may also disproportionately work in sectors most affected by the pandemic, such as agriculture.

Figure 16: Evolution of unemployment between 2019 Q2 and 2020 Q2



Source: Authors' computations based on HCP, "La situation du marché du travail au deuxième trimestre de 2020", June 2020.

Figure 17: Evolution of under-employment between 2019 Q2 and 2020 Q2



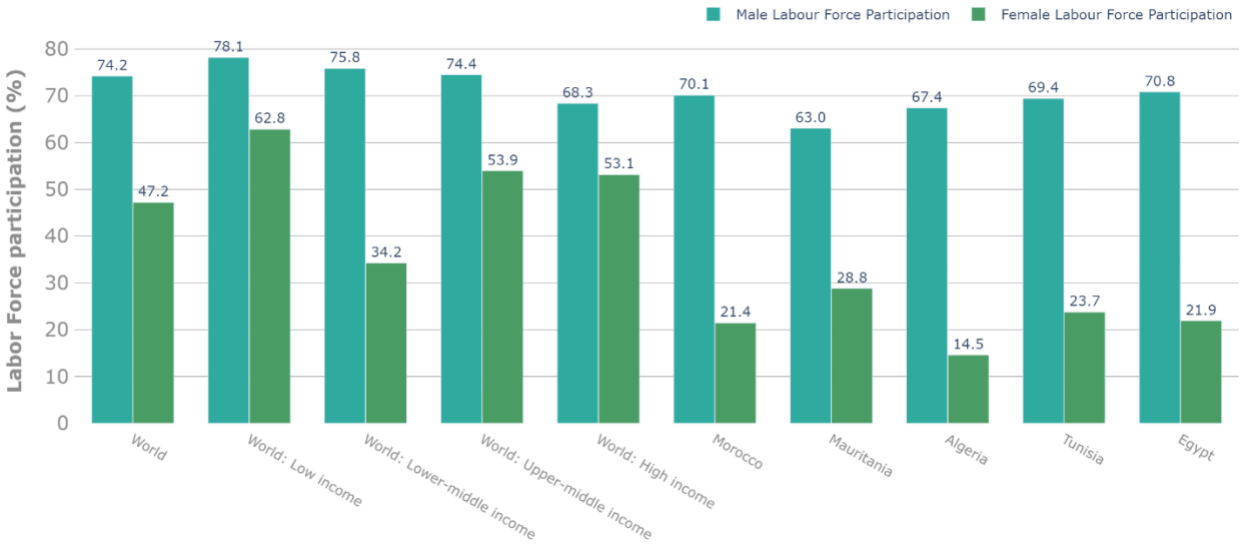
Source: Authors' computations based on HCP, "La situation du marché du travail au deuxième trimestre de 2020", June 2020.

HOW DOES THIS CHANGING LABOR DEMAND AFFECT THE ALREADY LOW FEMALE LABOR FORCE PARTICIPATION?

Female labor force participation has been historically low in Morocco. This trend has been exacerbated by the Covid-19 crisis, as women were disproportionately impacted by it. The impact of crisis on women is not immediately evident from Figure 15 shown above - the rate does not appear significantly higher. However, this is

because the figure only reflects the population that is already *in* the labor market. Female labor force participation is low in Morocco - only 21% of women are in the labor market, and only 18% when restricted to urban areas. In contrast, male labor force participation is above 70% and the worldwide average female labor force participation rate is 47%. These statistics, as well as an international comparison, are illustrated in Figure 17 below.[10]

Figure 18: Worldwide male and female labor force participation, 2020



ILO, "Labor Market Indicators".

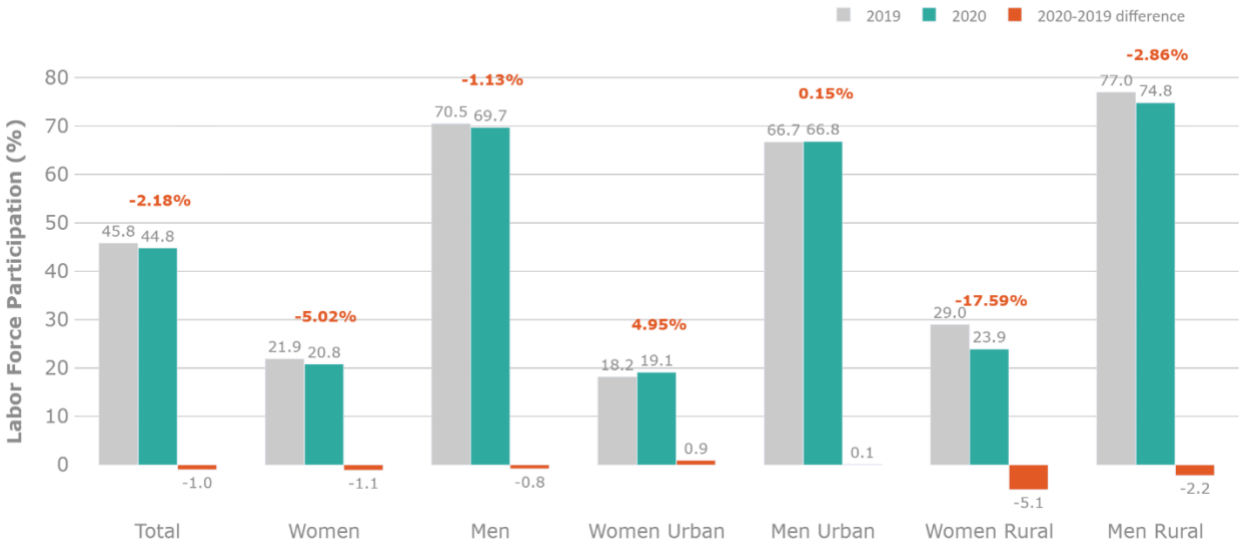
Covid-19 will likely drive some of the existing female labor force away from the labor market, and deter some who may have been considering taking a job. Due to the school closure, an increasing number of children have to stay home and women become more likely to engage in child care. A recent HCP survey has revealed that Moroccan women devote six times more time to household chores than men.[11] While men have become increasingly involved in the household during lockdown, women still devote nearly twice as much time to child care as men. Secondly, as job opportunities become scarcer, women will have to compete for an increasingly restricted pool of jobs for which they may not be as attractive to employers, due to the first reason mentioned. Although we cannot disentangle the two mechanisms, we see that labor force participation decreases more for women, especially those living in rural areas where, between the second quarter of 2019 and the second quarter of 2020, their labor force participation decreased by 18% (see Figure 18 below).

Beyond this high toll on current female labor force participation, the Covid-19 crisis is likely to have long lasting consequences on female education enrolment. In a recent report, the UNESCO estimated that an additional 11 million girls may leave school by the end of the COVID crisis. Evidence from previous crisis with school closure suggests that many will not return to school, even after schools reopen. In a study looking at how school closures during the Ebola epidemic affect young girls in Sierra Leone, researchers found it led young girls to spend significantly more time with men, teen pregnancies rose sharply, and school enrolment among young girls

[10] ILO, "Labor Market Indicators".
[11] HCP, "*Rapports sociaux intrafamiliaux pendant le confinement*", July 2020.

dropped by 17pp post-epidemic. [12]These results persisted long after schools had re-opened and adversely affect their life trajectories. If unaddressed, this adverse effects on enrolment might reverse hard-won the recent gains in gender equality.

Figure 19: Evolution of labor force participation between 2019 Q2 and 2020 Q2



Source: Authors' computations based on HCP, "La situation du marché du travail au deuxième trimestre de 2020", June 2020.

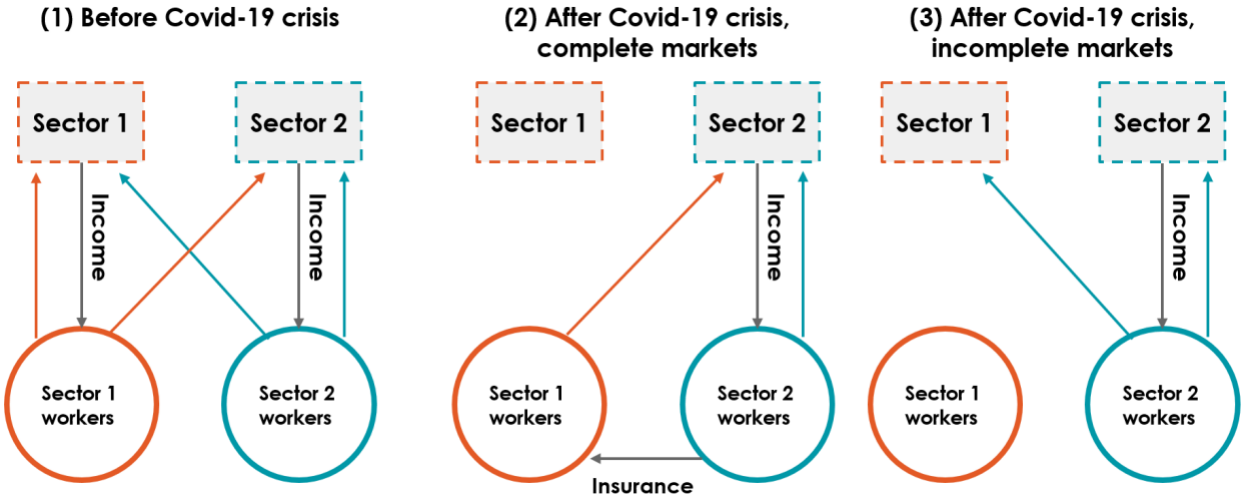
[12] Bandiera, O., Buehren, N., Goldstein, M., Rasul, I., & Smurra, A. (2020). "Do School Closures During an Epidemic have Persistent E¤ects? Evidence from Sierra Leone in the Time of Ebola." (link)

IN THEORY: WHAT DOES EXPLAIN THE DISPROPORTIONATE IMPACT OF COVID-19 ON CERTAIN DEMOGRAPHIC GROUPS OR SECTORS?

As outlined in Subsection 3.2.1 and Subsection 3.2.2 above, the supply, demand, and labor force shocks have been larger in some sectors of the economy, especially contact-intensive sectors. For example, during full lockdowns, the in-service dining restaurant industry was badly hit on all fronts: labor force demand for waiters fell, the supply of in-person dining collapsed, and demand for in-service dining also fell. However, there are also other sectors that have not been as immediately or as largely affected but should not be overlooked in assessing Covid-19 impact due to the interconnectedness of the economy described in Subsection 3.1.

Goods and services that are complementary to hard-hit markets are also affected.[13] For instance, workplaces are a contact-intensive industry that have been largely hit. Many industries associated with offices, such as business clothing, lunch vendors, and office supply industries have also witnessed demand shocks as a consequence. In contrast, products or industries that are substitutes to hard hit industries may benefit. Reduction in restaurant dining likely resulted in an increase in take-out delivery or supermarket purchases. While demand for business clothing has declined, demand for loungewear has increased in many countries to serve employees working from home. Another channel by which industries could be indirectly affected is through reduced demand among consumers. Even if only some industries are affected by a shock, other industries could be indirectly affected by reduced demand for their products or services among consumers who have lost their jobs in affected industries. As illustrated in Figure 19 below, before a shock, workers in Sector 1 received income from Sector 1, and used that income to purchase goods and services in both Sector 1 and Sector 2.

Figure 20: Insurance schemes in a stylized economy with two sectors



Source: Vox EU Guerrieri et al., "Viral recessions: Lack of demand during the coronavirus crisis", May 6, 2020. Accessed October 2020 (link).

[13] For a greater discussion of this dynamic, see Vox EU Guerrieri et al., "Viral recessions: Lack of demand during the coronavirus crisis", May 6, 2020. Accessed October 2020 (link).

IN THEORY: WHAT DOES EXPLAIN THE DISPROPORTIONATE IMPACT OF COVID-19 ON CERTAIN DEMOGRAPHIC GROUPS OR SECTORS? (CONTINUED)

Once a shock occurs, even if Sector 2 is unaffected, Sector 1 workers that are now unemployed become unable to spend as much as they previously did on goods and services produced by Sector 2 because their income is reduced. In a complete market, workers in Sector 1 have perfect insurance - for instance via an unemployment scheme. So while their income source is gone, they, and workers in Sector 2, will reallocate some of their spending to Sector 2 goods and services. In such a case demand in Sector 2 remains unchanged unless both sectors are complementary. If this is the case, this will result in a contraction in Sector 2 as well, because of the complementariness in which reduced demand in one sector also reduces demand in the other. This dynamic is illustrated in panel (2). However, there can be a second scenario (panel 3) in which Sector 2 workers do not fully compensate Sector 1 workers for their income loss. The absence of income or insurance to Sector 1 workers indicates that they will not be contributing to Sector 2 either, implying a larger contraction in demand than would occur under complete markets.

3.3 WHAT DOES THIS MEAN FOR POLICY?

As evidenced in this section, the Covid-19 pandemic has reverberating shocks across all actors and sectors of the economy. Policy considerations to mitigate their impact should consider these linkages to:

1. thoroughly assess actors and sectors that may have been hit, even if not evidently clear from the outset; and
2. rigorously design and continuously monitor any policies or programs aimed at softening the shocks to analyze their effects not just in directly affected sectors and groups, but also those that could be indirectly affected through a change in supply/demand, or a change in incentive structures.

Special attention should be paid to populations disproportionately affected by the shocks, especially subgroups, such as youth and women, who faced disproportionate challenges even prior to the pandemic. Without policies or programs specifically targeting such groups, existing inequalities could be further exacerbated.

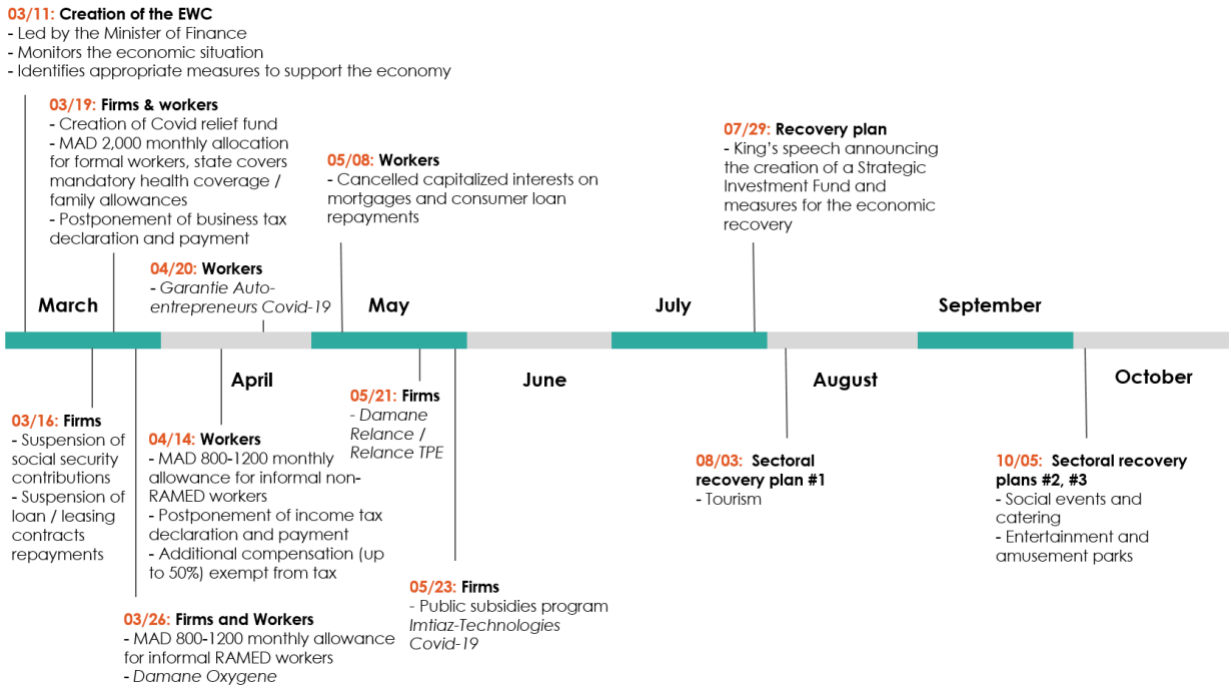
4. POLICY RESPONSES AND THEIR IMPACT

4.1 OVERVIEW OF POLICY RESPONSE

As it was becoming clear that the pandemic would seriously affect the economy, the Moroccan government took action in early March 2020 in order to mitigate the effects of the looming crisis. In this respect, the *Comité de Veille Economique* (CVE) was established on March 11, 2020, a body led by the Minister of Finance and tasked with monitoring the economic situation and identifying appropriate measures to support the economy.[14] In addition, the government undertook a large fundraising campaign resulting in the creation of the Covid-19 special management fund. The fund is dedicated to financing economic measures identified by the CVE to support vulnerable sectors, save jobs and mitigate the social impact of the pandemic; and it was also used to finance the purchase of medical supplies. Contributions to the fund were made by the government and by public and private entities on a voluntary basis, and these were tax deductible. By June 19, 2020, MAD 33 billion had been raised, an equivalent to 3% of GDP.[15]

[14] The CVE is also composed of the Ministry of Interior, the Ministry of Foreign Affairs and the Ministry of Health, amongst other government bodies.
[15] Ministry of Finance, "*Note de présentation du projet de loi de finances rectificative pour l'année budgétaire 2020*", July 2020.

Figure 21: Timeline of policy response in Morocco



Source: Authors' research.

The policy response was phased over several months. A first set of short-term measures was adopted between March and July 2020, while longer-term measures were introduced as of August, as part of a wider economic recovery plan. The chronology of these steps is illustrated in Figure 20 above. The short-term measures articulated redistribution programs with insurance measures, while also incorporating active labor market policies targeting both firms and workers. Redistribution programs materialized mainly in the form of cash transfers targeting workers from the formal and informal sectors. Insurance measures on the other hand concerned businesses facing economic turmoil as they were allowed to defer social contribution payments until June 30, 2020, and the state temporarily assumed all financial costs of existing social programs. As per active labor market policies, a fraction of them were guided towards improving workers' disposable income, for instance through delayed tax payments and cancelled capitalized interest on mortgages, while the majority were aimed at supporting firms to weather the economic crisis and prevent job cuts. In this regard, the state enacted measures aimed at deferring tax payments, postponing loan repayments and establishing funding for lending facilities entrusted with channeling liquidity to financially distressed SMEs.

4.2 REDISTRIBUTION PROGRAMS

An early set of measures adopted by the government included cash transfers directed to workers whose source of income was cut due to the pandemic. It is estimated that two thirds of workers had to temporarily stop their activities during lockdown.[16] Cash transfers provided them with a temporary substitution income, and were phased to benefit employees from the formal sector and workers from the informal sector. The former were identified based on their affiliation with the *Caisse Nationale de Sécurité Sociale* (CNSS), the national social

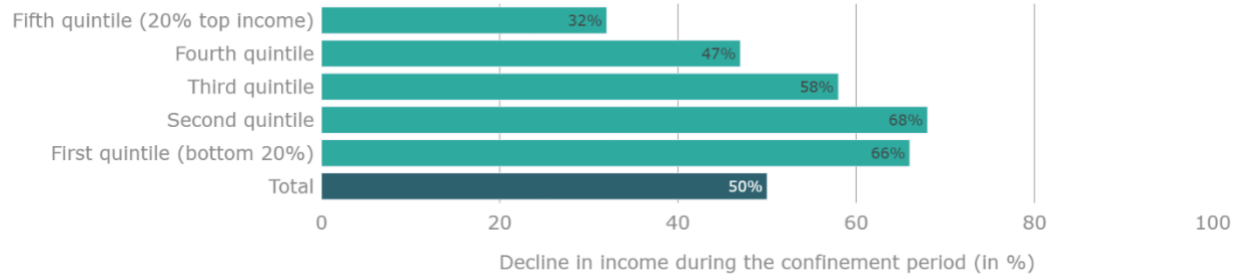
[16] HCP, "*Répercussions de la pandémie Covid-19 sur la situation économique des ménages*", July 2020.

security program. Between mid-March and end of June 2020, nearly 780,000 employees benefited from a monthly allowance of MAD 2,000. The total program cost was estimated at about MAD 6.3 billion.[17]

Targeting workers from the informal sector proved to be more challenging. In the absence of a comprehensive registry recording such workers, the government relied on the RAMED registry, Morocco's subsidized health insurance regime for the poor and vulnerable population. RAMED is considered the country's flagship social protection and health program and counted 6.35 million beneficiaries in 2016 (19% of the population).[18] Yet, a large share of the informal sector could not be reached since many workers were not registered with RAMED. Consequently, the government launched an online platform in order to allow workers from the informal sector not registered with RAMED to claim cash benefits. Households composed of two individuals were entitled to a monthly allowance of MAD 800, those with three to four individuals were entitled to a MAD 1,000 allowance, while those in excess of four individuals were granted a MAD 1,200 allowance. This program came to be known as *Tadamon*, and it reached 5.5 million households (45% of which are in rural areas) for a total cost of MAD 15.3 billion between April and end of June 2020.[19]

Given the large investments made in cash transfer programs, it is important to assess their impact on mitigating households' income shock and helping them maintain their living standards. In this regard, Figure 21 below shows that average monthly income halved during lockdown. The drop was acute among the 20% least wealthy Moroccans with a 66% reduction, while the top 20% experienced a significantly smaller drop, at 32%. This means that the poorest experienced a significant reduction in their standard of living.

Figure 22: Percentage decline in monthly income during lockdown, by wealth category

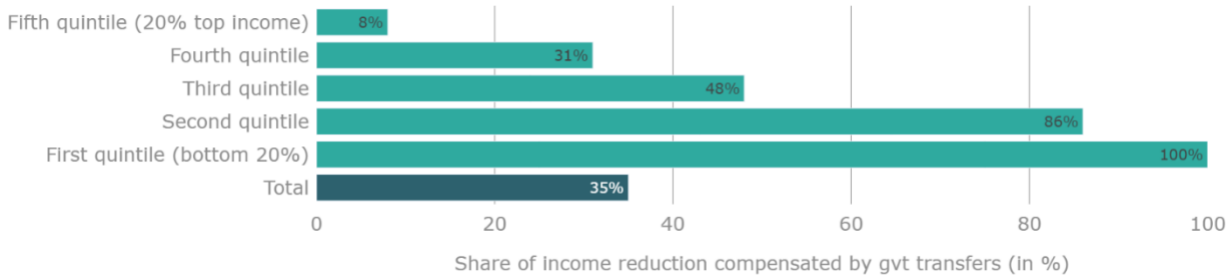


Source: HCP, "Répercussions de la pandémie Covid-19 sur la situation économique des ménages", July 2020.

The next question is to understand to what extent cash transfers compensated for this loss of income. Figure 22 below shows that cash transfers did compensate roughly 30% to 50% of the income of the upper middle-class, while they made up for most of the income loss suffered by the poorest.

[17] Ministry of Finance, "*Note de présentation du projet de loi de finances rectificative pour l'année budgétaire 2021*", October 2021.
[18] Dorothee Chen (The World Bank Group), "*Morocco's subsidized health insurance regime for the poor and vulnerable population: achievements and challenges*", 2018.
[19] Ministry of Finance, "*Note de présentation du projet de loi de finances rectificative pour l'année budgétaire 2021*", October 2021.

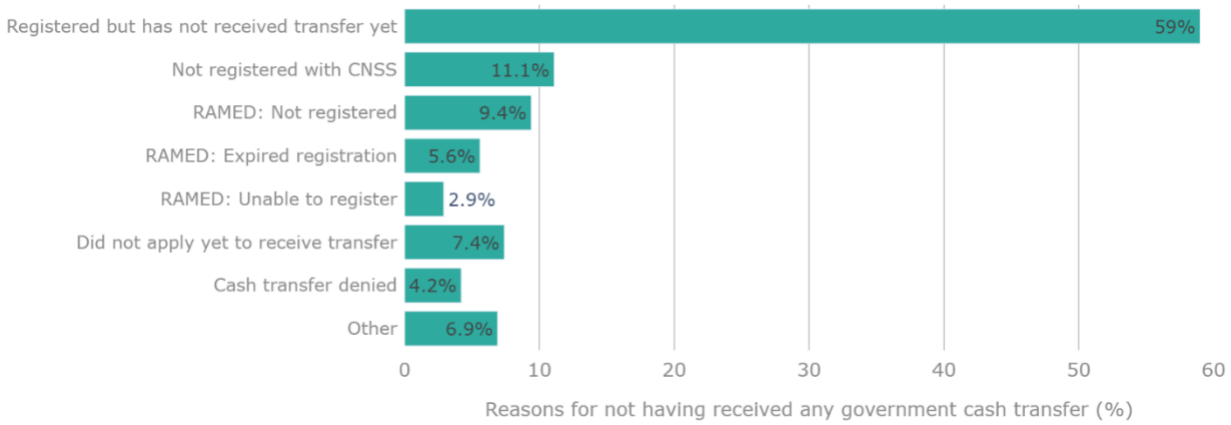
Figure 23: Share of monthly income compensated by government transfers, by wealth category



Source: HCP, "Répercussions de la pandémie Covid-19 sur la situation économique des ménages", July 2020.

Another important question concerns assessing the efficacy of targeting workers, and whether cash transfers are received without delay. In principle, targeting workers from the formal sector should be straightforward since they are all registered with CNSS. On the other hand, accurately targeting workers from the informal sector proved to be more challenging. In this respect, Figure 23 below shows that 59% of household heads working in the informal sector experienced delays in receiving transfers, which are due in part to the administration verifying applicants' eligibility. Another 18% were not able to claim the benefit due to failure to comply with RAMED registration criteria. In sum, the crisis has highlighted the need for a comprehensive social registry and data architecture in order to accurately implement social protection programs and evaluate their efficiency.

Figure 24: Main obstacles to receiving cash transfers



Source: HCP, "Enquête sur l'impact du coronavirus sur la situation économique, sociale et psychologique des ménages", May 2020.
Note: Totals might not add to 100% due to overlapping categories (e.g. cash transfer denied because RAMED expired).

4.3 SOCIAL AND HEALTH INSURANCE PROGRAMS

The government also took action by implementing insurance programs and incentive schemes in order for firms and households not to bear the full consequences of the crisis. In this context, businesses temporarily idle and experiencing a reduction in turnover of more than 50% were allowed to defer social contribution payments due between March and June 2020 until September 2021.[20] This measure targeted firms of up

[20] Le Brief, "*CNSS : le dispositif d'amnistie enfin validé*", September 29, 2020. Accessed October 2020 (link).

to 500 employees,[21] which accounted for more than 90% of firms in 2018.[22] According to CNSS, the cost of this measure is estimated at MAD 4.4 billion.[23] While firms stopped contributing temporarily to the social security system, the government assumed all financial charges related to mandatory health insurance and family allowances, thereby ensuring that workers could continue benefiting from these services. While these measures helped households weather the economic crisis, the government provided additional incentives for firms to compensate workers for the income loss: any additional compensation paid by firms to their employees (in the limit of 50% of monthly salary) was declared tax-exempt.

4.4 ACTIVE LABOR MARKET POLICIES

4.4.1 POLICIES TARGETING FIRMS

As the Covid-19 crisis unraveled, it became clear that mitigating the economic impact depended on how well firms from the private sector could weather the recession. The demand shock caused firms' sales of goods and services to collapse; and so did the supply shock, as remote work was not feasible for all sectors (e.g. construction) during the lockdown. This eventually led to a dramatic decrease in firms' income, implying that firms had less resources to pay wages to their workers. As discussed in Section 3, a lasting pandemic would exacerbate this trend, as households have reduced savings and income to spend on goods and services, and firms perceive a more severe demand shock. In this context, firms would face no choice but to lay off their workers, leading to an even more brutal demand shock. This is precisely what happened during the lockdown, as an estimated 10% of Moroccan firms had laid off at least some workers; and nearly 77% of firms perceived weak internal demand as the main impediment to normal business conditions.[24] For this reason, the government acted early in order to preserve as many jobs as possible. Table 4 in the Appendix shows that SMEs accounted for 72% of total employment in 2018; which explains why most of the government's action focused on this category of firms. The government's action can be classified along three lines: fiscal measures, measures aimed at easing business costs including public subsidies programs and debt finance measures.

Regarding fiscal measures, companies whose annual turnover does not exceed MAD 20 million were allowed to defer tax declaration and payment until June 30, 2020. In the case of tax payment, an extension has been granted until September 30, 2020. In addition to these measures, tax authorities had temporarily suspended tax controls and payment recoveries until June 30, 2020.

In addition to temporarily alleviating the fiscal burden, the government acted in order to ease firms' business costs while granting public subsidies to specific sectors. First, SMEs and licensed professionals[25] were allowed to postpone loan and leasing contracts repayment until June 30, 2020 without late payment penalties. Additionally, late payment penalties for companies that have concluded public contracts were cancelled for a maximum duration of six months, in situations where the delay was caused by the pandemic. The government also took action in March to ensure all public departments make timely payments to their suppliers from the private sector. As of June, public departments and state-owned enterprises were allowed to secure state-backed loans to be used exclusively to repay suppliers from the private sector. All of these measures were meant to ease the treasury of firms from the private sector. Turning to public subsidies programs, the government enacted *Imtiaz-Technologies Covid-19,* a program led by *Maroc PME*, the national agency for the promotion of SMEs. It benefited SMEs that

[21] Larger firms can request to benefit from the social security contributions deferral, and these requests are considered on a case-by-case basis.
[22] OMTPME, "*Rapport Annuel 2018*", 2018.
[23] L'Economiste, "*Le Covid-19 menace les comptes de la CNSS*", September 23, 2020. Accessed October 2020 (link).
[24] HCP, "*Deuxième enquête sur l'impact de la Covid-19 sur l'activité des entreprises*", July 2020.
[25] This category includes professionals such as doctors, architects, accountants, etc.

manufacture products and equipment useful in the fight against the pandemic (e.g., medical masks, antiseptic gel, respiratory equipment). Through this program, 63 firms benefited from investment subsidies amounting to MAD 434 million.[26] This measure aimed at supporting sectors manufacturing products in high demand.

The steps described above were complemented by debt finance measures targeting firms in the form of subsidized loans. Their design includes a sovereign guarantee covering between 80% and 95% of the principal, depending on firm size. Moreover, loans are guaranteed by the *Caisse Centrale de Garantie* (CCG), a public government-sponsored enterprise guided towards supporting private sector initiatives through providing loan guarantees. In the immediate aftermath of the crisis, and in order to prevent massive bankruptcies, a first package labelled *Damane Oxygene* was introduced in March 2020.[27] It was designed to help firms finance working capital requirements for charges that cannot be postponed (in particular salaries, rents and other essential supplies), with the loans due to be repaid by December 2020. As of July 1st, 2020, nearly 45,000 companies had benefited from *Damane Oxygene* for a total outstanding amount of MAD 17 billion. Importantly, 89% of the total loan amount was granted to micro-enterprises with turnover below MAD 10 million.[28]

In order to pave the way for the economic recovery, additional subsidized loan programs were introduced as of June 2020. Depending on their annual turnover, firms could apply for either *Damane Relance TPE* (for micro-enterprises with turnover below MAD 10 million) or *Damane Relance* (for all other firms). Importantly, these programs are restricted to firms that did not pay dividends in 2020 and whose leverage ratio falls below a certain threshold.[29] Loans have a maturity of seven years and are designed to finance working capital needs during the recovery phase, as recipients commit not to use them to pay back any outstanding debt.[30] Table 4 in the Appendix shows that *Damane Relance* targeted firms accounting for nearly 70% of the labor force and 90% of total sales. As of September 8, 2020, 10,756 firms have benefited from *Damane Relance TPE* for a total amount of MAD 2.4 billion; while 4,427 firms have benefited from *Damane Relance* for a total amount of MAD 20 billion.[31]

It is important to monitor implementation of the government support measures and assess how well they helped firms weather the crisis. A recent survey conducted by the World Bank between July and August 2020 revealed that among respondents, only 30% of SMEs benefited from or expected to receive some government support measure, and the proportion is slightly higher among large firms at about 40%.[32] This suggests that more than 60% of firms did not apply for government support in the midst of the crisis, which raises the question as to why. Firms that benefited from government support often benefited from a combination of different measures. Figure 24 below shows take up of government support by type of measure and firm size, according to the same World Bank survey. It reveals that the most widely adopted measure by Moroccan firms is wage subsidies (nearly 80%), while the least adopted measure is access to new credit (nearly 20%). Other measures such as cash transfers, deferrals of credit payments and fiscal exemptions were used by 30% to 60% of firms who relied on government support. The analysis by firm size reveals that, while there is some variation in take up rates, these are generally comparable across firm sizes, with large firms showcasing the highest take up rates and medium firms showcasing the lowest rates.

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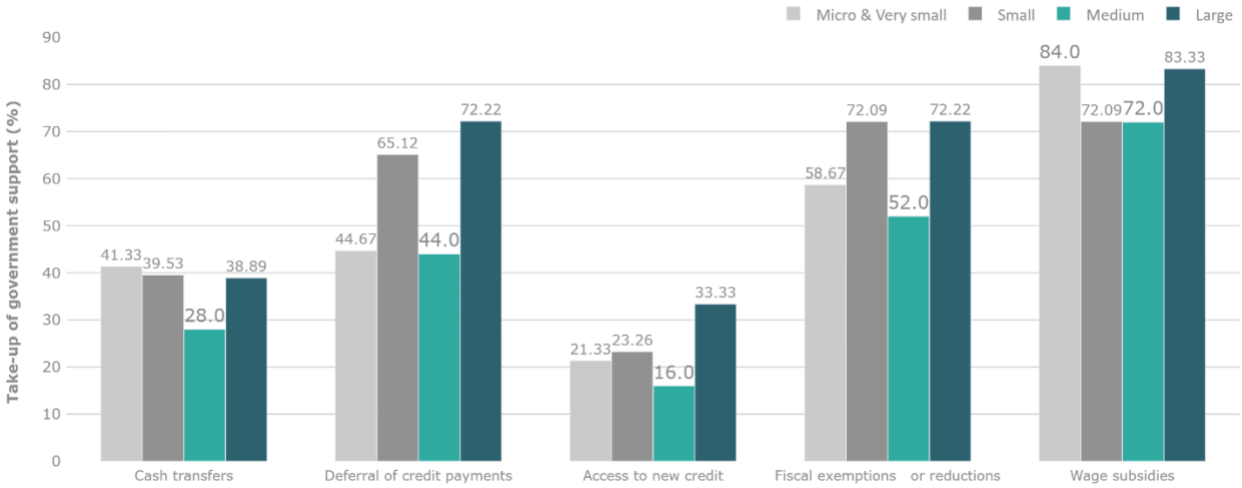
[26] Finances News Hebdo, "*63 projets d'investissement retenus dans le cadre de Imtiaz-technologies « Covid-19 »*", May 23, 2020. Accessed October 2020 (link).
[27] Similar to *Damane Oxygene* but specifically targeted to auto-entrepreneurs, the *Garantie Auto-entrepreneurs Covid-19* package was launched in April 2020.
[28] Ministry of Finance, "*Note de présentation du projet de loi de finances rectificative pour l'année budgétaire 2020*", July 2020.
[29] Specifically, the firm's ratio of short-, medium- and long-term bank debt to gross income must not exceed seven.
[30] *Damane Relance* loans are subject to additional conditions such as: the company using 50% of the funds to pay suppliers, the funds not being used to pay dividends during the two-year grace period and the funds not being used for technical or management fees.
[31] CCG, "*« Relance TPE » et « Damane Relance » : 22,4 milliards de dh de crédits garantis accordés pour la relance des entreprises*", September 8, 2020. Accessed October 2020 (link).
[32] The World Bank, "Enterprise Surveys", 2020.

Figure 25: Take up of government support by type of measure and firm size



Source: Authors computations based on The World Bank, "Enterprise Surveys", 2020.

Note: The survey questionnaire does not clearly state which measures are included under "Cash transfers for businesses" and "Wage subsidies". Regarding the former, we understand that it refers to the MAD 2,000 allowance paid to workers from the formal sector, while we understand the latter to include the social security contribution waiver which benefited firms. We acknowledge that this question might have caused confusion among participants to the survey.

As discussed earlier, the government introduced a wide array of measures to support firms but the bulk of these measures consisted of access to new credit through *Damane Oxygene*, *Damane Relance* and *Damane Relance TPE* programs**.** It is therefore important to assess whether these measures reached their targets and whether they had a tangible impact on private sector recovery. According to a survey by *Confédération Générale des Entreprises du Maroc* (CGEM), the Moroccan business association, 37% of participants applied for *Damane Oxygene* and 35% were planning to apply for *Damane Relance and Relance TPE* at the time of the survey.[33] We note that these take-up rates are higher than those from the World Bank survey (c. 20%, see Figure 24 above) while being still below 50%. Regarding *Damane Oxygene* more specifically, the CGEM survey reveals that 24% of applications were rejected; although the exact reason is not specified (e.g., firm that did not qualify for the program, firm was denied credit due to high perceived risk, other reasons). Regarding *Damane Relance*, a potential explanation for low take up rates could lie in the stringent eligibility criteria associated with the program. Indeed, firms were not eligible if they had paid dividends to their shareholders in 2020 or if they were highly indebted, as measured by a bank debt to gross income ratio in excess of seven. These restrictions were relaxed in October 2020, in an apparent attempt to improve program take up.[34] Another potential explanation for low take-up could be that firms who were denied *Damane Oxygene* were discouraged from applying for *Damane Relance*.

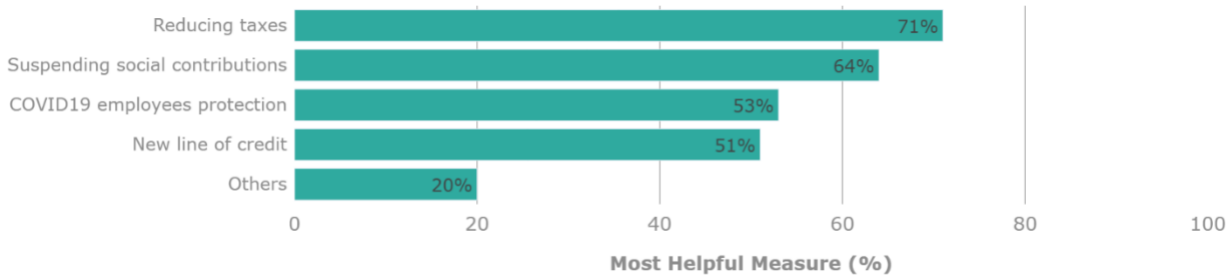
When evaluating government support measures, it is equally interesting to get firms' perspective on the required government action that would ensure full recovery of their workforce. This is presented in Figure 25 below, based on data collected by HCP. It shows that firms advocate more strongly in favor of tax reductions (71%) and social contributions suspension (64%) than for new credit lines (51%). The first insight revealed here is that tax obligations and social security contributions are perceived to hinder firms' operations during the crisis. Second, while the rationale behind subsidized loan programs *Damane Relance* and *Damane Relance TPE* is to

[33] CGEM, "*Baromètre CGEM Impacts Covid-19 – Rapport Enquête 2*", July 2020.

[34] L'Economiste,"*Nouvel assouplissement à Damane Relance*", October 12, 2020. Accessed October 2020 (link).

finance working capital needs during the recovery phase, if the loans become due while the economy has not recovered enough, a debt crisis could potentially ensue (unless the debt is rolled over). In fact, access to new credit might have limited impact on the recovery if firms are already indebted. In the context of Morocco, a recent HCP survey revealed that 32% of firms consider to be moderately indebted, and 13% declare to be highly indebted.[35]

Figure 26: Percentage of firms advocating for a measure as most appropriate to recover full workforce



Source: HCP "Deuxième enquête sur l'impact de la Covid-19 sur l'activité des entreprises", July 2020.

The purpose of this discussion is to highlight the importance of collecting feedback on existing programs aimed at supporting firms and adapting them to the context in which they are implemented. Programs aimed at improving firms' access to credit can ease the treasury of firms, but they are not sustainable over the long term. This is especially relevant in the context of Covid-19, as the pandemic might last longer than initially anticipated. Consequently, alternative policies must be devised in order to cope with the long-term effects of the supply and demand shocks. Existing research reveals that there are barriers other than credit constraints that can hinder firm growth. For example, information frictions related to labor market regulation can prevent firms from making optimal hiring decisions; and poor access to export markets can prevent firms from improving their manufacturing processes through transfers of knowledge. These frictions might be at play in the Moroccan context where firms report labor regulation to be a major impediment to their operations (see Section 3), and where government attempts to reinvigorate the export sector are not always successful. In this regard, research conducted in South Africa and Egypt have found that alleviating these frictions can have positive impacts on both employment and firm performance. This is further discussed in Box 1 below.

[35] HCP "*Deuxième enquête sur l'impact de la Covid-19 sur l'activité des entreprises*", July 2020.

BOX 1: SUPPORTING FIRM GROWTH BEYOND FINANCIAL SUPPORT: ALLEVIATING INFORMATION FRICTIONS AND ACCESS TO EXPORT MARKETS

A study by Bertrand and Crépon (2020)[36] assesses whether imperfect knowledge of labor regulation in South Africa hinders job creation at SMEs and prevents firms from optimizing their hiring and firing decisions. The study hypothesizes that information frictions could eventually lead to suboptimal employment levels within firms. The researchers partnered with a labor law expert that provides information about labor regulation via newsletters and access to a specialized website. Information contained in newsletters was designed to be concise and relevant to the labor market context; while through the website, firms had access to a discussion forum, video tutorials, legal template documents, among other services. Six months from the start of the program, average employment levels increased by 12% in the group of firms that received the information, compared to firms that did not. Interestingly, the intervention revealed that the person in charge of human resources at these firms had poor knowledge of labor law.

Atkin et al. (2017)[37] take a different angle and explore the link between exporting and firm performance in Egypt. Specifically, they uncover the causal impact of improved access to foreign markets for rug producers in Egypt on firm profits and technical efficiency. With the help of a US-based NGO, a lead intermediary based in Egypt generated and centralized orders from foreign buyers and transmitted them to rug producers. Importantly, the latter had very little previous export experience. The authors then compared firms that benefited from the program with similar firms active in the domestic market across a range of performance indicators - including profitability, productivity, and product quality. They found that exporting is associated with significant increases in profit (c. 16-26%), alongside substantial product quality improvement. This could be explained by the fact that buyers from high-income countries are more inclined to pay for higher-quality products. Under this hypothesis, exporting firms merely reap the benefits of accessing new markets. While this explanation holds true, the study uncovers a second important mechanism: learning-by-exporting. It holds that the production process improves as a result of transfers of knowledge from buyers to producers and from learning-by-doing induced by exporting. While the literature on the impact of supply-side interventions (such as expanding access to credit for small firms) finds mixed results, this study suggests that there could be important matching frictions at play that constrain the demand-side.

4.4.2 POLICIES TARGETING WORKERS

The government's action in favor of firms was complemented by a set of measures aimed at dampening the consequences of the shock on workers. As explained in Section 3, the economic crisis caused households' disposable income to drop sharply, leading to severe consumption cuts; and a significant number of workers lost their jobs. In this context, fiscal measures, deferred loan repayments and cancelled late payment penalties were adopted in favor of workers. Also, the *National Agency for the Promotion of Employment and Competencies* (ANAPEC) started developing programs aimed at supporting the newly unemployed in their job search.

It is important to stress that labor market policies targeting workers were all aimed at workers from the formal sector. For instance, they were allowed to defer personal income tax filing until June 30, 2020, while tax payment had been postponed to September 30, 2020. Moreover, loan repayments had been suspended until June

[36] Bertrand, Marianne and Crépon, Bruno. (2020) Teaching labor laws: evidence from a randomized control trial in South Africa. *Revise and resubmit American Economic Journal: Applied*, 2020.

[37] Atkin, David, Khandelwal, Amit K, & Osman, Adam. (2017). Exporting and Firm Performance: Evidence from a Randomized Experiment. *The Quarterly Journal of Economics, 132(2),* 551-615.

30, 2020. According to the *Groupement Professionnel des Banques du Maroc* (GPBM), the Moroccan banking association, and as of April 24, 416,00 loan suspension requests (from both firms and workers) amounting to MAD 33 billion were received; 95% of which were granted.[38] In addition to loan repayment suspension, the government cancelled capitalized interests on mortgages and consumer loan repayments until June 30, 2020,[39] a measure targeted at 400,000 individuals. While these measures might have helped workers weather the crisis, it remained to tackle the looming challenge of job losses. According to ANAPEC, more than 100,000 workers from the formal sector are at risk of losing their job due to the pandemic. In order to help them quickly integrate back into the labor market, ANAPEC is currently developing a dedicated job placement program called *Amal,* a blend of subsidized jobs and retraining. In this program, job seekers are grouped in "portfolios" and allocated to caseworkers who are in charge of surveying firms' recruitment needs, eventually proposing profiles from their portfolio of job seekers to employers.

4.5 THE RECOVERY PLAN AND LONG-TERM MEASURES

Following the set of short-term measures adopted by the government between March and July 2020, the King of Morocco introduced the course of action for economic recovery in a speech delivered on July 29, 2020. The King declared that the crisis has caused significant job losses while revealing salient weaknesses of the economy, such as a large informal sector preventing workers from benefiting from social security programs and the dependence of tourism on external demand. In this context, reviving economic activity must prioritize supporting the national network of SMEs and giving a new impulse to the job creation dynamic, extending the social safety net to all workers and stimulating local demand. These goals are to be achieved through a "Pact for Economic Recovery and Employment" advocating for public expenditure programs, channeling credit to the private sector, supporting youth entrepreneurship initiatives, and implementing sectoral recovery plans. All of these steps are to be complemented by a solidarity contribution tax introduced in the proposed 2021 Budget Act; alongside an ambitious social reform aimed at expanding social safety nets to all workers over the 2021-2025-time horizon.

4.5.1 THE "PACT FOR ECONOMIC RECOVERY AND EMPLOYMENT"

The post-Covid-19 recovery plan mobilized nearly MAD 120 billion, an equivalent of 11% of GDP. It is expected that these funds will be channeled partly through the Strategic Investment Fund, a newly created entity with an initial endowment of MAD 45 billion. The fund is aimed at supporting public-private investment partnerships in infrastructure, export-oriented industries, agriculture, real estate, and tourism, while supporting the network of SMEs. Another MAD 75 billion will be managed by the CCG as part of state guaranteed loan programs, with a view to ease access to credit for the private sector.[40] The recovery plan attaches special attention to the youth through reviving the *Intelaka* program, an initiative offering young entrepreneurs state guaranteed loans. A special measure in the 2021 proposed Budget Act targeting the youth initially provided that salaries paid to workers aged under 30 and recruited on a permanent basis will benefit from an income tax exemption for two years. Later discussions at the parliament proposed to extend this measure to workers aged 35 or less, and for a period of three years.[41] Lastly, sectoral recovery plans were designed to support the most adversely impacted sectors. So far, these programs plan to target three sectors: tourism, social events and catering and entertainment and amusement parks. The most extensive of these programs targets the tourism industry, as will be discussed below. The two other programs are broadly aligned on the tourism program, except that benefits are due for a shorter period, between September and December

[38] L'Economiste, "*Report de crédit: ce que vous ignorez*", May 6, 2020. Accessed October 2020 (link).
[39] This applied to mortgages in the limit of MAD 3,000 per month and consumer loans in the limit of MAD 1,500 per month.
[40] Ministry of Finance, "*Note de présentation du projet de loi de finances rectificative pour l'année budgétaire 2020*", July 2020.
[41] Les Ecos, "*PLF 2021: L'essentiel des amendements introduits par la Commission des finances*", November 3, 2020. Accessed November 2020 (link).

2020. These include a monthly MAD 2,000 cash transfer to workers, social security contributions deferral for firms, postponement of loans and leasing repayments and an extension to repay the *Damane Oxygene* subsidized loans.

FOCUS: SECTORAL RECOVERY PLAN FOR THE TOURISM INDUSTRY

While the tourism industry carries a major role in the Moroccan economy, it has particularly suffered from the Covid-19 crisis. Prior to the pandemic, the sector's direct contribution to GDP was estimated at 7%,42 but the crisis is believed to have caused a 50% unemployment drop compared to 2019.43 In order to provide a new dynamic to the industry, a sectoral recovery plan was devised in early August. The agreement was signed between the ministries of finance, tourism and labor on the one hand, and the banking and tourism associations on the other. The agreement provides for extending support measures adopted since March to tourism until the end of 2020. Importantly, the program is conditioned on firms committing to maintain employment levels and integrating their informal workers into the formal sector. The program also aims at reforming supply- and demand-side aspects of the industry in order to enhance its resilience.

Most of the short-term measures advocated by the CVE since March are extended to the tourism industry until the end of 2020. In this respect, employees registered with the CNSS are entitled to a MAD 2,000 allowance from July until December, and firms are allowed to defer payment of social security contributions due between July and December 2020 until June 2022. At the same time, the government assumes all financial charges to ensure that workers continue benefiting from health coverage and family allowances. Also, additional compensation paid by firms to their employees (in the limit of 50% of monthly salary) is declared tax-exempt. In addition, bank loans and leasing contracts repayments are suspended until the end of 2020 without late payment penalties. Lastly, the subsidized loans programs are adapted to the tourism industry: the repayment of Damane Oxygene is extended by a year, until December 2021, and the Damane Relance program is tailored to the needs of businesses from the hotel industry.[44]

Importantly, these support measures are conditioned on firms committing to maintain at least 80% of their workforce. Securing the retention of workers within firms reflects the government's concern to avoid job losses that could threaten citizens' livelihoods, but it could also serve the interest of firms in the event of an expected recovery. Indeed, if workers are dismissed, firms will have to incur retraining costs to ensure future hires fit with their new environment. By supporting firms through a monthly MAD 2,000 allowance per worker, the government creates an incentive to keep the employer/employee link, at least temporarily.

The Covid-19 crisis has revealed deep weaknesses in Moroccan tourism, especially with regards to the weight of informality. Had firms more diligently registered their employees with the social security service, they would have better benefited from safety nets during the crisis. As part of the sectoral recovery plan, firms commit to register as many workers as possible with the CNSS; and the tourism industry association addressed guarantees with respect to integrating independent workers and craftsmen into the formal economy.

In addition to the steps discussed above, the recovery plan aims at enhancing the resilience of the tourism industry. As part of supply-side measures, the agreement provides for the creation of a dedicated investment structure. Additionally, improving competitiveness is one of the program's top priorities, as reflected in the Inmaa Tourisme initiative currently being elaborated. Other supply-side measures include upgrading existing training programs and improving digitization in the sector. Turning to demand-side measures, the agreement provides for stimulating national demand, for example through generalizing the use of travel vouchers, while also promoting Morocco among international tourists.

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[42] The combined direct and indirect contribution is estimated at 12%.

[43] Ministry of Finance, Ministry of Labor, Ministry of Tourism, National Tourism Confederation, "*Contrat programme 2020 - 2022, Relance du secteur touristique en phase post Covid19*", August 2020.

[44] In particular, the *Damane Relance Hotêllerie* program provides for loans to be repaid over a period of ten years (instead of seven), including a two-and-a-half-year grace period (instead of two).

4.5.2 THE SOLIDARITY CONTRIBUTION TAX AND SOCIAL SAFETY NETS REFORM

A major aspect of the economic recovery plan lies in increased public spending, implying that the state has to increase its revenues. In this context, the proposed 2021 Budget Act institutes the creation of a solidarity contribution tax impacting firms and households. This new tax only concerns profits and revenues earned in 2021.[45] In its initial version, the measure targeted firms whose annual net profit exceeds MAD 5 million, with a tax rate of 2.5% applying to profits between MAD 5 million and MAD 40 million, and 3.5% above. Following parliamentary discussions, an additional tax bracket was introduced for firms whose profit lies between MAD 1 million and MAD 5 million, for a rate of 1.5%. As regards households, the initial version of the act set a flat tax rate of 1.5% for annual income exceeding MAD 120,000. It was proposed that this threshold be raised to MAD 240,000.[46]

Longer term, a major social reform is envisioned with the purpose to expand social safety nets to all workers. The reform is planned in two steps. First, health insurance and family allowances will become universal starting from January 2021, with the completion target set at December 2023. Health insurance universalization will lead the RAMED program to phase out, and is estimated to cost MAD 13.8 billion over the two years. The second step of the reform concerns the universalization of pension and unemployment benefits to all workers and is planned over the 2024-2025-time period. The Covid-19 crisis has revealed important shortcomings in the current Moroccan social security system, which the envisioned reforms will help resolve. If implemented correctly, these reforms are likely to improve the resilience of the Moroccan economy going forward.

4.6 CONCLUDING REMARKS ON THE MOROCCAN POLICY RESPONSE

Like many other countries, Morocco has experienced major socioeconomic disruptions as a result of the Covid-19 pandemic, which compelled the authorities to act strongly in order to mitigate the effect of the crisis. In the immediate aftermath of the first Covid-19 declared cases, the CVE steered the policy response in Morocco, a blend of cash transfers, social and health insurance measures and active labor market policies targeting firms and workers. These measures have certainly helped households and businesses weather the adverse income, supply and demand shocks induced by the crisis. Nevertheless, there are many sectors in which the temporary stop of economic activity left lasting scars, not to mention industries in which activity has not resumed since the lockdown. The effect of Covid-19 has been compounded by salient weaknesses of the Moroccan economy, namely the poorly inclusive labor market, the large informal sector and the persisting dependence of some sectors on external demand. These weaknesses have been acknowledged by Moroccan stakeholders who have taken action to stimulate investment, foster youth employment and reform existing social security programs. Yet, the uncertainty surrounding the pandemic is still high, and the net effect of measures like the solidarity contribution tax can be ambiguous: on the one hand, it will generate more revenue that can be spent on public programs; but on the other, it will reduce households' disposable income, thus constraining the demand. This example highlights the importance of collecting feedback on policies conceived to revive economic activity, and the need for rigorous impact evaluations as a way to maximize their effectiveness. There is also much that Morocco can learn from policies implemented in other countries, as will be discussed in the next section.

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[45] Ministry of Finance, "*Note de présentation du projet de loi de finances rectificative pour l'année budgétaire 2021*", October 2021.

[46] Les Ecos, "*PLF 2021: L'essentiel des amendements introduits par la Commission des finances*", November 3, 2020. Accessed November 2020 (link).

BOX 1: USING RESEARCH TO INFORM POLICY IN MOROCCO

In recent years, J-PAL affiliated researchers have partnered with actors from the private sector and public departments in Morocco to evaluate the impact of programs related to microfinance and cash transfers for education. These examples highlight how the interplay between research and policy can enhance the benefits delivered to local communities.

The first partnership aimed at estimating the impact of microcredit on borrowers from rural areas between 2006 and 2009. By bringing formal financial services to the poor, microcredit is widely viewed as a major innovation in anti-poverty policy. Yet, sceptics merely consider microfinance institutions (MFI) to be modern versions of old-fashioned moneylenders, further claiming that microcredit encourages the creation of very small businesses with few maturing into larger businesses. In Morocco, most microfinance services have been concentrated in the urban and peri-urban areas, while people in rural areas continued to rely on various forms of informal credit.

In this context, J-PAL researchers partnered with Al Amana, the largest MFI in Morocco then, to assess the take up of microcredit in rural areas and its impact on local economies. The evaluation took the form of a randomized controlled trial (RCT) wherein Al Amana opened 47 new branches in rural areas that could serve households from162 villages. Half of these villages were randomly assigned to a treatment group that could start receiving microcredit services immediately after the branch opening, while the other half received service two years later (thus serving as a treatment group during the two-year period). The study evidenced a low take up of microcredit with an estimated rate of 13% in treatment villages. Nevertheless, improved access to credit helped to expand the scale of household's existing self-employment activities, mainly in agricultural activities and husbandry. Interestingly, the effects on profits were mixed, with more profitable businesses further increasing their profits and small profit businesses experiencing a decline in profits.

This study revealed that microcredit can help improve economic outcomes of some households in rural areas, but there is much to learn about its detailed mechanics, particularly regarding low take up rates. Building on these results, the same research team launched a second study over the period 2018-2020 in which they explored the impact of improving loan design. If prospective borrowers anticipate difficulties in repaying loans immediately following disbursement, they could become discouraged to take out the loan in the first place. All else equal, this hypothesis suggests that a more flexible loan-repayment schedule could improve take up rates among borrowers, potentially improving economic outcomes in their communities. This impact evaluation relied on randomization at three levels: first, in order to assess impact on individuals, each potential borrower visiting a branch was randomly assigned to receive either a flexible or a standard loan offer; second, in order to measure the impact on local communities, villages were randomly assigned to either receive flexible or standard loan services; third, in order to assess the impact on demand for microcredit at the branch-level, all branches not participating in the first two experiments were randomly assigned to offer either flexible and standard loans or standard loans only. This study is still ongoing, but its guiding principle is that designing effective policies must go through tinkering and adjusting processes while ensuring rigorous evaluations throughout.

Another study was conducted jointly with the Moroccan Ministry of Education to evaluate the impact of Tayssir, a cash transfer program that was designed to reduce dropouts in primary education. Cash transfer programs often come with specific conditions (such as required school attendance for children, in the case of education programs) for recipient families to enjoy the financial benefit. However, imposing conditions can be costly, both for recipients–since households who do not fully meet the criteria do not receive benefits–and policy makers–since they have to monitor compliance. In this context, researchers affiliated with J-PAL examined whether a "labelled" cash transfer that encourages school enrolment without an explicit attendance requirement provides the small nudge necessary to increase educational achievements among disadvantaged communities. The team introduced different variations of the program across 320 school sectors across Morocco. They collected primary data on enrolment and absenteeism rates through seven visits to the 640 school units over two years, and a household survey of 4,400 households and surveys to measure understanding of the program by teachers and households. The evaluation showed that Tayssir was extremely effective: it reduced dropout rates by 76% after two years.

5. THE WAY FORWARD: LEARNING FROM THE INTERNATIONAL RESPONSE MEASURES AND THE SCOPE FOR POLICY REFINEMENT

The analysis of the consequences of the public health crisis on Morocco's economy (Section 3) and the corresponding policy response (Section 4) help identify four main challenges: ensuring that transfers reach the most vulnerable groups, supporting informal firms and workers, supporting the female labor force and adjusting the skills mismatch in the labor market. Countries around the world faced similar challenges, as informal workers, women and youth have been disproportionately affected by the crisis.[47] Some countries developed innovative responses that could potentially benefit Morocco, especially as the country seeks to dampen any scarring effect on the economy and prepares for recovery.

5.1 USING BIOMETRIC IDENTIFICATION AND DELIVERY SYSTEMS TO TARGET THE DISADVANTAGED

Globally, about one-third of Covid-19 response measures involved cash transfers.[48] Specifically, over 70 countries have implemented cash transfers to support vulnerable households, with 54 of them introducing new initiatives specifically designed as a crisis response.[49] Like many countries, Morocco built on an existing social scheme (i.e.: RAMED) to provide cash support to vulnerable groups affected by the Covid-19 crisis. While this allowed them to swiftly deploy a cash transfer program to support families affected by the shock, many were left out.

Reaching vulnerable groups requires updated information on key household characteristics. This poses significant challenges to developing countries, where the informal economy is sizable and data availability is poor. Countries that had developed robust identification systems, similar to the social register that Morocco is planning to build by 2023, were able to build on their existing structure. For example, Peru relied on the long-standing "*Padron General de Hogares*" managed by the Social Development Ministry, to identify beneficiaries. Through this system, each municipality enters an online form for each household in their municipality willing to become part of the system. The Ministry then uses proxy means testing - where data on assets is used to predict income or consumption - to classify households and identify those eligible for transfers.

Different methodologies could be used for targeting. This includes proxy means testing (as in the case of Peru), geographic targeting (specific villages or communes), community targeting (where villagers or other community members rank every household from richest to poorest), or self-targeting (where beneficiaries first need to apply for a program then get access if they are eligible). Evidence from Indonesia highlights that proxy means testing performed somewhat better in identifying the poor than community targeting or a hybrid of both methods, though the difference is small. Evidence further suggests that elite capture does not necessarily explain why community targeting does not perform as well; rather, communities seem to have a different definition of poverty

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[47] ILO, 2020.

[48] Carranza, Eliana, Indhira Santos, Matteo Morgandi, Michael Weber, Thomas Farole, Truman Packard and Ugo Gentilini. (2020). Managing the Employment Impacts of The Covid-19 Crisis: Policy Options For Relief And Restructuring. *World Bank*, Washington, DC.

[49] Gelb, Alan and Anit Mukherjee, "Covid-19: How countries can use digital payments for better, quicker cash transfers", Center for Global Development, April 6, 2020. Accessed October 2020 (link).

than the one used in proxy means testing.[50] There is also evidence that self-targeting allows capturing a poorer pool of beneficiaries, thus reducing leakage and under coverage.[51]

Ensuring that effective social transfers are in place requires both correctly identifying the poor (targeting) and ensuring the social benefits reach them (delivery). India's digital integrated system combines a socioeconomic database to a digital delivery system. Known as the *Jan Dhan-Aadhaar-Mobile* (or JAM trinity), this system proved to be an important asset during the Covid-19 emergency response. The JAM trinity includes the Aadhaar biometric identification system, launched in 2009 and now covering 95% of the Indian population (about 1.2 billion people); and the Jan Dhan financial inclusion program, through which 85% of the population has access to a bank account and a mobile network, gathering 1.16 billion phones and ensuring an effective service delivery platform, especially in rural areas. Thanks to the integrated system, the Indian government managed same-day transfers into bank accounts and up to 400 million transfers took place, almost the double of normal times.[52] Peru has also managed to deploy effective delivery through agencies of the National Bank and other main banks. In order to minimize movement and ensure a safe delivery consistent with social-distancing measures, Peruvian authorities requested households to check online (using their unique ID) when and where they needed to collect their transfers. As Morocco builds the social registry needed to improve targeting, it would be key to assess ways for effective delivery to support low-income workers and vulnerable populations. For example, evidence from India suggests that using biometrically authenticated payments infrastructure allowed quicker and more reliable transfers to beneficiaries and reduced corruption, without affecting access to the program.[53] The strategy of informing local officials that beneficiaries would be asked by phone to assess program implementation was shown to reduce the number of beneficiaries not getting their transfers by almost 8%.[54]

5.2 USING CASH TRANSFERS AND PUBLIC WORKS TO SUPPORT THE INFORMAL SECTOR

Close to 75% of informal jobs are estimated to be significantly affected by the crisis globally.[55] One way to support informal firms could be to help them retain their cash flow by reducing, eliminating or deferring utility and rent payments. However, targeting informal firms poses a significant challenge to governments: these firms are some of the hardest hit but also the most difficult to effectively reach, as they are often not on tax registries nor have links with the formal banking sector.

Targeting informal workers through household-level social protection is often preferred to targeting informal firms.[56] In this context, Morocco used an innovative way to reach informal workers, building on the existing health insurance scheme for the poor and vulnerable, RAMED (as discussed in Section 4). Several

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[50] Alatas, Vivi, Banerjee, Abhijit, Hanna, Rema, Olken, Benjamin A, & Tobias, Julia. (2012). Targeting the Poor: Evidence from a Field Experiment in Indonesia. *The American Economic Review, 102*(4), 1206-1240.

[51] Alatas, Vivi, Purnamasari, Ririn, Wai-Poi, Matthew, Banerjee, Abhijit, Olken, Benjamin A, & Hanna, Rema. (2016). Self-Targeting: Evidence from a Field Experiment in Indonesia. The Journal of Political Economy, 124(2), 371-427.

[52] Mayur Shetty, "India's Covid relief cash transfer system more efficient than US", The Times of India, May 9, 2020. Accessed October 2020 (link)

[53] Muralidharan, Karthik, Niehaus, Paul, & Sukhtankar, Sandip. (2016). Building State Capacity: Evidence from Biometric Smartcards in India. The American Economic Review, 106(10), 2895-2929.

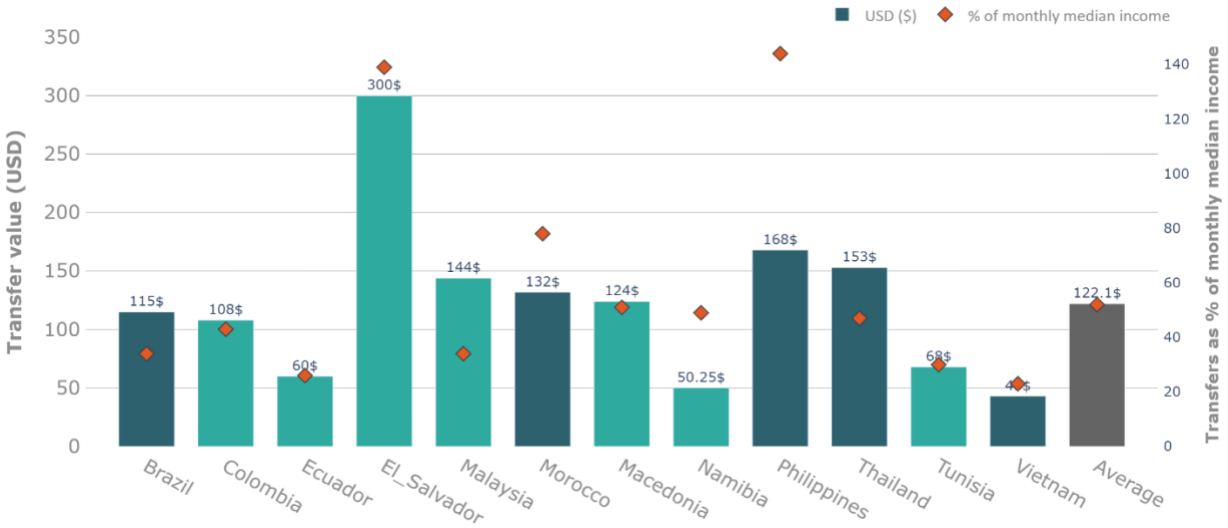
[54] Muralidharan, Karthik, Niehaus, Paul, Sukhtankar, Sandip & Weaver, Jeffrey. (2020). Improving Last-Mile Service Delivery using Phone-Based Monitoring. January 30, 2020.

[55] ILO, 2020.

[56] Carranza, Eliana, Indhira Santos, Matteo Morgandi, Michael Weber, Thomas Farole, Truman Packard and Ugo Gentilini. (2020). Managing the Employment Impacts of The Covid-19 Crisis: Policy Options For Relief And Restructuring. *World Bank*, Washington, DC.

other countries rolled out cash transfers to support the informal workers, deploying innovative instruments to identify and reach them. For example, Peru deployed *Bono independiente,* a cash transfer of PEN 760 (corresponding to USD 211, about 3% of annual per capita GDP) that can be accessed by both banked and unbanked households whose members are not registered as formal public or private sector workers and do not earn over PEN 1,200 (corresponding to about USD 333). In particular, unbanked workers could open an account with the mobile bank through their mobile phone to receive their transfer. This allowed providing support to about 75% of the country's households. Similarly, Togo deployed a new cashless transfer program specifically targeting informal workers affected by the lockdown (such as moto taxi drivers), in which beneficiaries are identified through their voter IDs and transfers are made using mobile money.

Figure 27: Cash transfers for informal workers in USD and as percentage of monthly median income



Source: Data for median income are from Diofasi and Birdsall (2016) which provide daily estimates. These were multiplied by 30 to get monthly estimates. Data for transfers are from Gentilini et al (2020).

Note: Lighter green indicates a one-off payment.

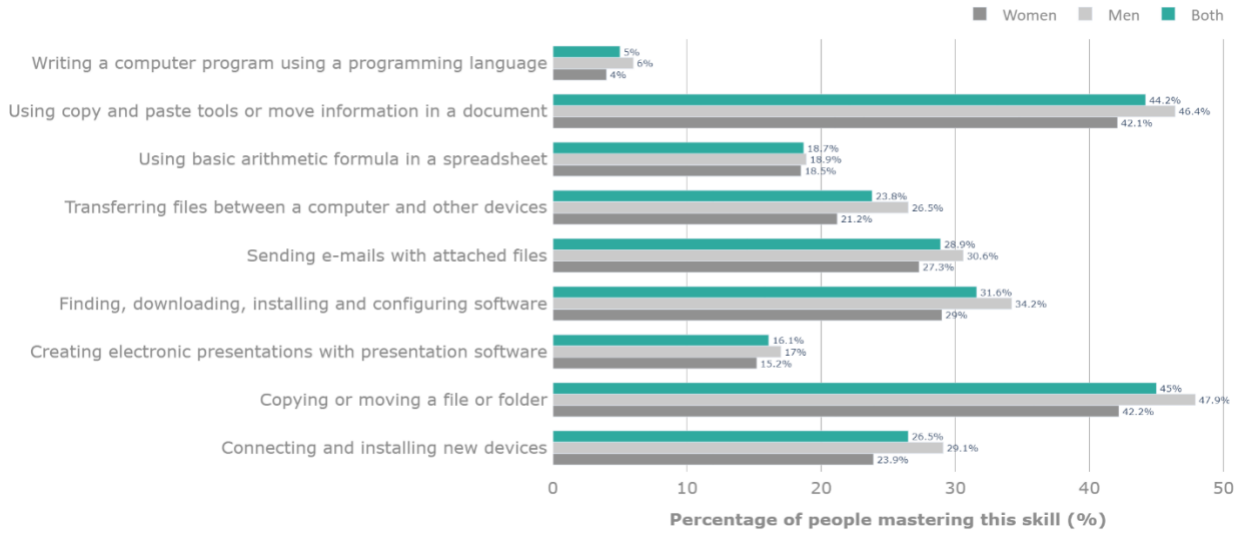
Public works constitute a possible alternative to support informal workers, especially given the lack of data needed for effective social transfer targeting, although evidence on their effectiveness remains mixed.[57] In these programs, the government provides temporary employment for the creation of public goods, such as roads or infrastructure, in exchange for a remuneration at the minimum wage or below. Considered as one of the most popular safety net and employment policy instruments in developing countries, they can serve as a stabilization instrument to address temporary shocks. One of the main advantages of public works is that they rely on beneficiaries self-targeting into the program, thus capturing those that need it most even when data availability is limited. However, public works remain costly and their potential to provide additional income to households is reduced compared to cash transfers (since they forgo earnings from other potential jobs). The evidence on their positive effects on employment and productivity remains mixed: for example, in Côte d'Ivoire, providing seven months of temporary employment to urban youth led to limited impacts on the level of employment during the program but a shift in the job composition towards the higher-paid public works jobs. There were no lasting effects

[57] Besley, Timothy and Coate, Stephen. (1992). Workfare versus Welfare: Incentive Arguments for Work Requirements in Poverty-Alleviation Programs. *The American Economic Review, 82(1),* 249-261.

after one year, although earnings were higher in non-agricultural self-employment.[58] Even in this case, however, public works could still benefit households as they save some of the additional income earned through the program and smooth their consumption over time. Public works could also potentially improve productivity and have positive income and insurance effects when the program is sufficiently reliable and long-term, although training received during public works programs does not increase the employability or business earnings of participants.[59] Overall, while evidence on public works remains mixed, the large shifts expected in the economy as countries open up might serve as a new platform to evaluate their potential benefits to reduce unemployment.

Some countries adapted public works to provide temporary jobs to unemployed individuals while fulfilling social distancing requirements. In particular, focusing on individuals with a low Covid-19 risk profile and using public works to support overall country effort in contact tracing, setting up testing sites and supporting environmental clean-ups could be a promising avenue. In the Philippines, newly unemployed workers impacted by the lockdown were able to obtain 10 days of work on the disinfection and sanitation of neighborhoods, in exchange for a payment corresponding to 100% of the highest prevailing minimum wage. To limit risks, beneficiaries received orientation on safety measures and health and were enrolled in micro-insurance. In Nepal, informal sector workers who lost their job could also participate in public works projects for a subsistence wage or receive 25% of local daily wage if they opt out of the program.

Figure 28: Digital literacy indicators in Morocco, 2016



Source: ITU, 2016.

Moving forward, "digital or remote" public works could provide a promising venue to provide a source of income to the unemployed, while meeting social distancing requirements.[60] For example, this could involve digitizing printed documents for public records or classifying digital records. In Morocco, internet

[58] Bertrand, Marianne, Bruno Crépon, Alicia Marguerie, and Patrick Premand. Contemporaneous and Post-Program Impacts of a Public Works Program: Evidence from Côte d'Ivoire. Working paper, May 2017.

[59] Gehrke, Esther, & Hartwig, Renate. (2018). Productive effects of public works programs: What do we know? What should we know? World Development, 107, 111-124.

[60] Weber, Michael. "Digital public works – a viable policy option for the COVID-19 (Coronavirus) jobs crisis?", April 27, 2020. Accessed October 2020 (link).

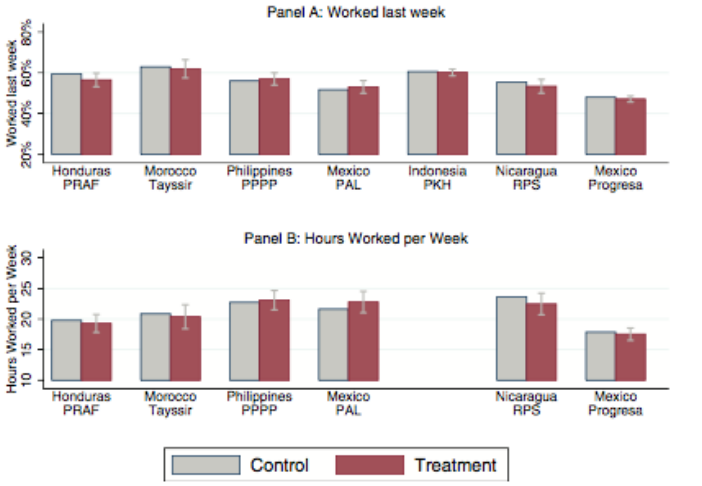
penetration reached about 57% in 2019[61] and digital skills levels are comparable to other countries in the region. For example, at least 32% of adults know how to find, download, install and configure a software, 44% know how to use copy and paste tools to duplicate or move information within a document and about 29% know how to send emails with attached files.[62] Men have only a slight advantage over women: for example, 46% of men know how to use copy and paste tools, compared to 42% of women (see Figure 27 below). Digital public works could be especially promising for poorer urban communities where the digital infrastructure is already in place. They are particularly relevant for younger cohorts who might be more likely to have digital skills and for women, who might face gender-based constraints working outside of home.[63]

BOX 3: DEBUNKING THE STEREOTYPE OF THE LAZY WELFARE RECIPIENT

Cash transfers have become a widely common instrument to support poor households in developing countries, even more so during the Covid-19 crisis. Yet many policymakers and citizens worry that direct transfers to the poor might discourage them to work. In particular, they worry that households could have less incentive to work given the increase in their income, or they might choose to work less to avoid losing their eligibility to receive the cash transfers.

Evidence from six developing countries, including Morocco, show no evidence that such dynamics are at play. Across all countries included in the study – Honduras, Indonesia, Morocco, Mexico, Nicaragua and the Philippines – cash transfer programs do not seem to impact the propensity to work nor the overall number of hours worked, regardless of the recipient's gender (see the figure below). Further evidence also shows that transfers do not encourage spending on temptation goods (such as tobacco), as has been claimed in some policy debates.

Figure 3. Experimental Estimates of Cash Transfers on Work Outcomes



Note: The "Control" (light, left) bars report the mean of the outcome variable (probability of work and hours worked in Panels A and B, respectively) in the control group, at endline. The "Treatment" (dark, right) bars report the control mean plus the treatment effect from in Table 3. The segments represent 95% confidence intervals.

[61] ITU, 2018.
[62] ITU, 2016.
[63] Carranza, Eliana, Indhira Santos, Matteo Morgandi, Michael Weber, Thomas Farole, Truman Packard and Ugo Gentilini. (2020). Managing the Employment Impacts Of The Covid-19 Crisis: Policy Options For Relief And Restructuring. World Bank, Washington, DC.

Source: Banerjee, Abhijit V, Hanna, Rema, Kreindler, Gabriel E, & Olken, Benjamin A. (2017). Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs. World Bank Research Observer, 32(2), 155-184. Evans, D., and A. Popova. 2014. Cash Transfers and Temptation Goods: A Review of Global Evidence. Policy Research Working Paper WPS6886, World Bank, Policy Research Department, Washington, DC.

Beyond public work programs, another avenue to support informal workers is to directly target informal firms. More research is needed in this area to better understand whether the logic of firm assistance and job retention programs in the formal sector also apply to firms and wage employees in the informal sector. In Ghana, a team of researchers is using randomized income transfers to firms and workers to test implementation modalities for small informal firm emergency assistance. They are measuring effects on firm survival, job retention, wages, and firm owner and worker income smoothing.[64]

5.3 IDENTIFYING SKILLS NEEDS AND RETRAINING WORKERS TO ADDRESS THE SKILLS MISMATCH

The Covid-19 public health crisis enhanced pre-existing skills mismatch and required emergency retraining to face the growing demand for essential workers. In the immediate emergency response, countries sought innovative ways to retrain and redeploy their labor force to meet the immediate demand for more doctors, health workers and other first responders. Some countries provided rapid retraining in essential services, targeting the unemployed who already had the necessary skills or targeting in-demand positions that required little specialization. For example, Partners in Health in the United States (Massachusetts) trained 1,000 workers as contact tracers, through a short six-hour training to learn how to interview infected individuals and track and alert those who may have come in contact and been infected by them. Similarly, retailers in "non-essential" businesses could follow a five- to seven-hour training to be retrained and hired by other retail companies facing an increasing demand.

Countries provided online training and career guidance to address ongoing skills shortages and adjust for the potentially lasting effect of Covid-19 on the structure and job composition of the economy. Given the shifting needs of the economy and social distancing requirements, career guidance counsellors could provide online support to direct adults towards the most demanded skills. In France, the governmental agency for the unemployed (*Pôle Emploi*) provides recruitment and matching support to the unemployed to facilitate the recruitment in the sectors with the highest demand for labor (including agriculture, health, transport, and telecommunication). When designing such a policy, implementation details matter. For instance, by randomly allocating French jobseekers to public or private counselling providers, Behagel, Crépon, and Gurgand found suggestive evidence that the private providers are less effective at helping people find a job and also seemed to exercise less effort on those who had the best chance to find a job, on the premise that they would find a job anyway.[65]

Several studies provide evidence that allowing jobseekers to better signal their skills to potential employers lead to better employer-employee matches. In Ethiopia, jobseekers who were randomly invited to a job application workshop that allow them to receive advice on how to improve their CVs and cover letters as well as on how to approach job interviews, experienced both short and long run increases in their probability of permanent and formal work as well as a large positive impact on earnings, amounting to a 25% increase over the control group average 4 years later.[66] Two randomized field experiments in South Africa also show that including

[64] See: https://www.povertyactionlab.org/initiative-project/small-enterprise-emergency-financial-assistance-seefa

[65] See Behaghel, L., Crépon, B., & Gurgand, M. (2014). Private and public provision of counseling to job seekers: Evidence from a large controlled experiment. American economic journal: applied economics, 6(4), 142-74.

[66] See Fafchamps, M., Caria, S., Abebe, G., Quinn, S., Falco, P., & Franklin, S. Anonymity or distance? Job search and labour market exclusion in a growing African city. Review of Economic Studies.

reference letters from former employers in an application process increases employer call-backs by 60%. Jobseekers traditionally excluded from informal referral networks, such as women, may particularly benefit from this type of interventions because they provide potential employers with accurate information about workers' skills.[67]

Other measures have also been implemented to encourage firms to keep their employees. In France, the partial unemployment scheme -- *chômage partiel ou technique* -- allowed employees affected by a loss of salary due to a reduction of their working hours to be compensated for this loss. To benefit from this scheme and obtain the corresponding state allowance, the employer must initiate the process. This measure is not accompanied with a modification of the employment contract and encourages firms to keep their employees on their payroll.

Incentivizing labor mobility could also help address the shifting labor needs of the economy. For example, France promoted "loans" of workers across companies (*mise à disposition*). Employees with reduced activity can be temporarily "loaned" to another company facing labor shortages, while maintaining their initial employment contract and wage. The host company is in charge of reimbursing the employee's wage to their initial company. To complete the transfer, employees and companies simply need to complete a simplified form, downloadable online, to amend their initial contract.[68] While this was meant as an emergency response to ensure the continuity of informal services, it could also inform the flexibility that could be increasingly required in the economy, to ensure skills transfers as smoothly as possible.

5.4 DESIGNING GENDER-SPECIFIC MEASURES TO STRENGTHEN WOMEN'S ECONOMIC SECURITY

Globally, women are particularly affected by both the supply and demand shocks of the Covid-19 crisis, given their predominance in vulnerable sectors and their disproportionate responsibilities for caring for the ill and children, especially as schools remain closed. Despite women's vulnerability, however, there have been few policy responses targeting them: only 10% of the total measures across 85 countries explicitly aimed at improving women's economic security, and less than 33% of countries developed measures to support unpaid care and strengthen care services for children, the elderly and persons with disability.[69] In Morocco, where women devote six times more time to household chores than men and devote nearly twice as much time to childcare as men, providing support to women is essential — especially in urban areas where they are more likely to have a salaried job.

Neighboring countries in North Africa developed strong measures to support women, mostly consisting in social protection and income support, given the fact that women already devote a disproportionate time to care for children and the ill. In Algeria, paid leave was temporarily granted for all pregnant women and women taking care of children, persons with chronic diseases or health vulnerabilities.[70] In Egypt, a Prime Ministerial decree[71] grants pregnant women or those looking after one child or more below the age of 12 an exceptional leave, for as long as the decree remains enforced, allowing all working mothers to care for children without losing their jobs. Women employees caring for children with disabilities (regardless of age) are also granted a

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[67] See Abel, M., Burger, R., & Piraino, P. (2020). The value of reference letters: Experimental Evidence from South Africa. American Economic Journal: Applied Economics, 12(3), 40-71.

[68] Ministère du Travail, de l'Emploi et de l'Insertion, "*Mise à disposition temporaire de salariés volontaires entre deux entreprises*", April 20, 2020. Accessed October 2020 (link).

[69] UNDP, "Covid-19 Global Gender Response Tracker" (link).

[70] Gentilini, Ugo., Mohamed Almenfi, Pamela Dale, Ana Veronica Lopez and Usama Zafar. (2020). Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures. - "Living paper" version 12 (July 10, 2020).

[71] Decree No. 719, 2020.

leave without losing their jobs. Similarly, in Jordan, the government applied flexible working arrangement for women of children under the age of 11, until childcare centers reopened. See Box 4 for more evidence on the impact of free or subsidized childcare interventions.

Some countries also targeted specific categories of female workers, such as domestic workers. In Tunisia, the Ministry of Women, Family, Children and Seniors announced the opening of a line of credit in favor of domestic workers, in partnership with the Tunisian Development Bank and the Professional Association of Microfinance Institutions. The credit is capped at TND 1,000, repayable over 24 months at a reduced interest rate, with a two-month grace period. Moving forward, the government aims to develop a legal and protection framework and implement specific programs to support female domestic workers, including the accession to the International Convention 189 on Domestic Work.

BOX 4: FREE OR SUBSIDIZED CHILDCARE INCREASES WOMEN'S LABOR FORCE PARTICIPATION

Three randomized evaluations found that providing free or subsidized childcare could help alleviate major barriers in women labor force participation and be a highly effective strategy for promoting women employment and fostering broader economic development goals.

A 2007 study in Brazil, focusing on the Rio Municipality where the employment rate for women was 36 percent, randomized access to child care services. Among a sample of 4,348 applicant children, 2,174 (50%) of them were lottery winners and had access to the free government childcare service while the remaining were placed in the waiting list. They found that providing access to free government childcare services generated a large increase in mothers' employment (from 36 to 46 percent) and also led to a small increase in the overall household income.[72]

In Kenya, a recent randomized control evaluation implemented in a Nairobi slum found that poor urban mothers who were given vouchers for center-based childcare for one year were 8.5 percentage points (or 17.3 %) more likely to be employed than mothers who were not given vouchers. Beyond pecuniary gains, it also allowed single mothers who were already working to cut back on working extended hours without any loss in wages by shifting to jobs with more regular hours.[73]

In Chile, providing free after-school care for children aged 6-13 also increased women's labor force participation and employment. The intervention increased the use of daycare for young children who were ineligible for the program, suggesting that women needed childcare for all of their children in order to join the labor market.[74]

This set of evidence shows that, beyond ALMP policies targeting women, reducing women's childcare burdens might be a key avenue to encourage women's labor force participation.

Targeted recruitment services or job opportunities can also increase women's employment outside the home. Randomized evaluations in Ethiopia, Jordan or India show that increasing women's access to job opportunities through randomly assigned job offers or recruitment services increased their employment and

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[72] See de Barros, R. P., Olinto, P., Lunde, T., & Carvalho, M. (2011). The Impact of Access to Free Childcare on Women's Labor Market Outcomes: Evidence from a Randomized Trial in Low-income Neighborhoods of Rio de Janeiro. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/672391468231860498/the-impact-of-access-to-free-childcare-on-womens-labor-market-outcomes-evidence-from-a-randomized-trial-in-low-income-neighborhoods-of-rio-de-janeiro

[73] See Clark, S., Kabiru, C. W., Laszlo, S., & Muthuri, S. (2019). The impact of childcare on poor urban women's economic empowerment in Africa. *Demography*, *56*(4), 1247-1272. https://link.springer.com/article/10.1007/s13524-019-00793-3

[74] Martínez, C., & Perticará, M. (2017). Childcare effects on maternal employment: Evidence from Chile. *Journal of Development Economics*, *126*, 127-137 (link)

earnings, at least in the short term.[75] This type of intervention might prove to be even more beneficial in times of economic crisis.

To complement measures targeting formal and informal workers, support to women-businesses was deployed in some countries as a further measure to support entrepreneurs. For example, the Egyptian Medium, Small and Micro Enterprises (MSMEs) agency allocated a financing portfolio reaching EGP 5.4 billion (about USD 344 million) to fund projects for women through a strategy for the advancement of Egyptian women projects and young graduates. It is anticipated that about 216,000 micro-projects will be implemented over five years and 250,000 jobs and projects will further be funded through partner banks and civil society organizations.

5.5 CONCLUDING REMARKS ON INTERNATIONAL RESPONSE MEASURES

The Covid-19 pandemic led to profound impacts on economies and societies around the world, pushing countries to adopt drastic measures to protect citizens and workers. The challenges are similar across developing countries, and the international response measures could serve as a basis to design, test and develop potential programs for the Moroccan labor market.

The international experience highlighted the key role of unified identification systems and socio-economic databases to identify and target beneficiaries, and the importance of delivery systems so that transfers effectively reach beneficiaries. In this context, Morocco's strong commitment to build a unified social registry is encouraging and if designed well, could truly help overcome targeting issues. Building an efficient delivery system (whether using digital payment or not) will also be essential to ensure both efficiency and effectiveness of social programs.

On supporting workers, international measures suggest that alternatives to support informal workers and provide them with a source of income will be key as the country prepares for recovery. This could take the form of public works, or digital public works, or other innovative ways to provide them with a source of income and avoid any scarring effect of the crisis. Similarly, for women workers, the challenge will be to find the best way to support them while accounting for the disproportionate time spent caring for others — whether transfers should be prioritized, or allowing for flexible working time and facilitating work from home could be an alternative to support women, especially in urban areas. Finally, reducing the skills gap will require mapping the new skills needs and assess possible ways (if any) to provide online training to support and retrain workers.

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[75] See Kotsadam, Andreas, and Espen Villanger. 2019. "Jobs and Intimate Partner Violence-Evidence from a Field Experiment in Ethiopia." Working Paper (link).

Groh, Matthew, Nandini Krishnan, David McKenzie, and Tara Vishwanath. "The Impact of Soft Skills Training on Female Youth Employment: Evidence from a Randomized Experiment in Jordan." *IZA Journal of Labor & Development* 5 (1): 9 (link).

Jensen, Robert. 2012. "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India." *The Quarterly Journal of Economics* 127 (2): 753–92 (link).

Knowing exactly what would work in the Moroccan context, especially given the unprecedented situation Covid-19 has brought about, will require policymakers to thoroughly assess the possible alternatives and evaluate their impact. In Box 5 below, we provide an example of how policy-research collaborations between policymakers in Indonesia and an international research team resulted in actionable research evaluations that ultimately informed and influenced policymaking.

BOX 5: BUILDING A CULTURE OF EVIDENCE IN INDONESIA

Our journey in Indonesia provides an example of how we have applied our theory of change to build policymaker capacity to use evidence, collaborate with local academics and generate local knowledge and impact studies to inform policy.

With generous funding from Australia's Department of Foreign Affairs and Trade, EPoD Faculty Director Rema Hanna and J-PAL Faculty Benjamin Olken built a local team at the University of Indonesia to develop capacity-building initiatives and generate impact evaluations on impact policy priorities.

Through an initial evidence-sharing event and incubation workshop in Jakarta in 2006, they began a collaboration with the World Bank and the government to study techniques to identify the poor for social protection programs in order to inform the government's Unified Targeting Database. Since this initial study, the J-PAL-South East Asia office has fostered collaborations between over 30 US-based researchers, over 15 Indonesian researchers and more than 10 government agencies to conduct over 30 large-scale studies on important social and economic policies, including the national transfer programs, migration policy, access to financial services, health insurance, education, and tax policies.

The work has translated into real policy impacts: for example, the Indonesian national planning agency credited our collaborative study on the national health insurance system into determining the insurance premium pricing in 2016 (Nur 2016). Similarly, the evaluation of an innovative pilot program on social protection cards led to the scale-up of the program nationally, thereby increasing transparency within transfer programs for about 65 million of the most vulnerable individuals across Indonesia. Other research has provided insights that have fed into national targeting strategies for social safety net, tax administration policy, and financial access.

Importantly, our sustained presence, training activities, and knowledge generation has changed the demand for evidence-based policy. In launching the largest social protection reform since the late 1990s — moving from in-kind transfers to food stamps — the Government of Indonesia asked for assistance in building a randomized impact evaluation as the reform was phased in across the country. Similarly, in 2017, the government of Indonesia's National Planning Department asked EPoD to design a custom course training their top officials in BCURE content, with a focus on impact evaluations.

6. CONCLUSION

Economics and public policy provide a plethora of models, frameworks, and theories to predict and analyze how the pandemic has impacted labor markets, and what tools and policies can be used to mitigate adverse effects. As discussed in Section 3, economic models can help us predict where demand and supply shocks may occur in the labor market during a pandemic, and we can use labor market data to monitor how those theories are playing out in practice.

As new cases continue to unfold, policymakers have had to refine existing policies and create new support systems with limited understanding of what will work and how long to plan for. While monitoring and evaluation are always important, evaluating the impact of policies and programming at a time when policymakers are forced to make drastic policy decisions in a short timeline with no clear understanding of the long-term landscape is of increasing importance. Morocco has adopted notable social protection and firm support policies in an attempt to shoulder firms and jobseekers from the harsh consequences of the pandemic, as discussed in Section 4. While officials from the ministries of finance, interior and health have steered the immediate response to the crisis, government institutions such as ANAPEC, OFPPT but also NGOs must step in and take a larger role in designing longer term labor market programs, as will be further developed in our next paper. In doing so, they must integrate data and monitoring systems that can provide a continuous stream of information about the efficacy of their programs. This would enable policymakers to quickly adapt and ensure countercyclical policies are addressing underlying challenges, and are flexible in adapting to conditions on the ground as they change day by day. It will also be crucial to keep a close eye on human capital investment in times of crisis, and ensure that generations entering the labor market in the future receive adequate education and training, even as the crisis persists. This is a pressing challenge at a time where technological change increases the demand for high-skilled workers causing the gap between skilled and unskilled workers to widen. Finally, as in every other crisis, Covid-19 will cause many industries to decline; thus inducing large shifts in the labor force. This will feature as another prominent topic in our next paper.

In addition to close monitoring and evaluation, Morocco can also gain inspiration from other countries to inform pandemic response. The Covid-19 pandemic is a rare instance in history when all countries worldwide are facing the same shock. This creates a rare opportunity for cross-learning. While each country's context remains distinct, policymakers can look to other countries that may be similar in certain contexts, such as other countries with high informal labor force that may not be targeted through conventional social protection programs, to generate ideas for policies and programs that could also work in Morocco. The process still requires very careful analysis to ensure contexts are similar enough to have the same effect across different countries, and an integrated evaluation system to monitor program results. A solution that worked in one country may not necessarily work in Morocco.

While pandemic response has been a struggle for all countries and citizens worldwide to grapple with, concrete steps can be adopted to facilitate and improve the effectiveness of pandemic response efforts. By (1) imbedding rigorous monitoring systems in all response policies/programs (and more generally), (2) using data produced from monitoring systems to make informed, evidence-based decisions, and (3) looking to other countries for examples and inspiration, pandemic response efforts can become more effective in mitigating adverse effects of the pandemic on economies and citizens. Once systems for monitoring and evaluation are built in, they can remain useful for informing the design and efficacy of all future programming and policymaking, even once the pandemic ends. Creating and sustaining a culture of evidence-based policymaking in Morocco can enhance labor market outcomes for generations to come.

7. APPENDIX

7.1 DATA SOURCES USED IN THIS REPORT

CGEM, "Baromètre CGEM Impacts Covid-19 – Rapport Enquête 2", July 2020 (link)
The Moroccan business association CGEM conducted a survey in order to assess the impact of the Covid-crisis on the business environment. The survey was administered to a sample of 3,304 firms, and aimed at collecting data on

general evolution of sales, employment, take up of government support measures, export activities and future business perspectives. Available information suggests that the survey might not be fully representative of the population of Moroccan firms. Nearly 90% of the surveyed firms are MSMEs. The main sectors represented in the survey are services (31%), Manufacturing (22%), and Tourism and catering (17%). 50% of the surveyed firms are located in the Casablanca-Settat region, while the main three other regions (Rabat-Salé-Kénitra, Marrakech-Safi, Tanger-Tétouan-Al Hoceima) account for 10% each.

HCP, "Enquête Nationale sur l'Emploi" (link)
This survey aims at determining key labor market indicators for Morocco: labor force participation, employment, unemployment and under-employment. Beyond these aggregate statistics, it also collects the main demographic as well as the education and socio-professional characteristics of the surveyed population. This allows us to produce disaggregated statistics along those dimensions. It is published on a quarterly basis for both rural and urban areas, with a total sample size of 60,000 households (including 20,000 in rural areas). The sampling methodology is based on a two-stage stratified sampling to allow representative rural and urban population.

HCP, "Enquête sur l'impact du coronavirus sur la situation économique, sociale et psychologique des ménages", May 2020 (link)
This report summarizes the main findings from the first survey conducted by HCP between April 14 and April 23, 2020, in order to assess the impact of lockdown measures on households. It focuses on household behavior during lockdown, revenue sources, access to education and training, access to health care services and psychological reactions; for a sample of 2,350 households. There are no additional details on the sampling methodology.

HCP, "Rapports Sociaux dans le Contexte de la Pandémie de Covid-19", July 2020 (link) ; **HCP, "Répercussions de la pandémie Covid-19 sur la situation économique des ménages", July 2020** (link)
These reports summarize the main findings from the second survey conducted by HCP between June 15 and June 24, 2020, in order to assess the impact of the Covid-19 crisis on households. They focus on employment, revenue, indebtedness, household consumption, social relationships, perceptions of access to distance education and medical care; for a sample size of 2,169 households. There are no additional details on the sampling methodology.

HCP, "Reprise d'activité des entreprises suite à la levée du confinement", July 2020 (link)
The objective of this survey is to inquire about the level of recovery of business activity following the end of lockdown measures. It aims at understanding the barriers hindering economic recovery while evaluating the measures taken by firms in order to overcome these barriers in the post-confinement context. The sample contains 4,400 firms. There are no additional details on the sampling methodology.

Labor Market Indicator produced by the International Labor Organization (ILO)
For tracking labor market tendencies over time, we use the key labor market indicators provided by ILO. It consists of country-level data on key indicators of the labor market from 1980 to the latest available year. The figures are based on official figures completed by ILO estimates when missing.

The World Bank, "Enterprise Surveys", 2019 (link).
The Enterprise Surveys is a data collection effort led by the World Bank in 144 countries, including Morocco. Sampling firms in the manufacturing and services sectors, the goal is to capture business perceptions on the biggest obstacles to enterprise growth, the relative importance of various constraints to increasing employment and productivity, and the effects of a country's business environment on its international competitiveness. They are then used to create statistically significant business environment indicators that are comparable across countries. The

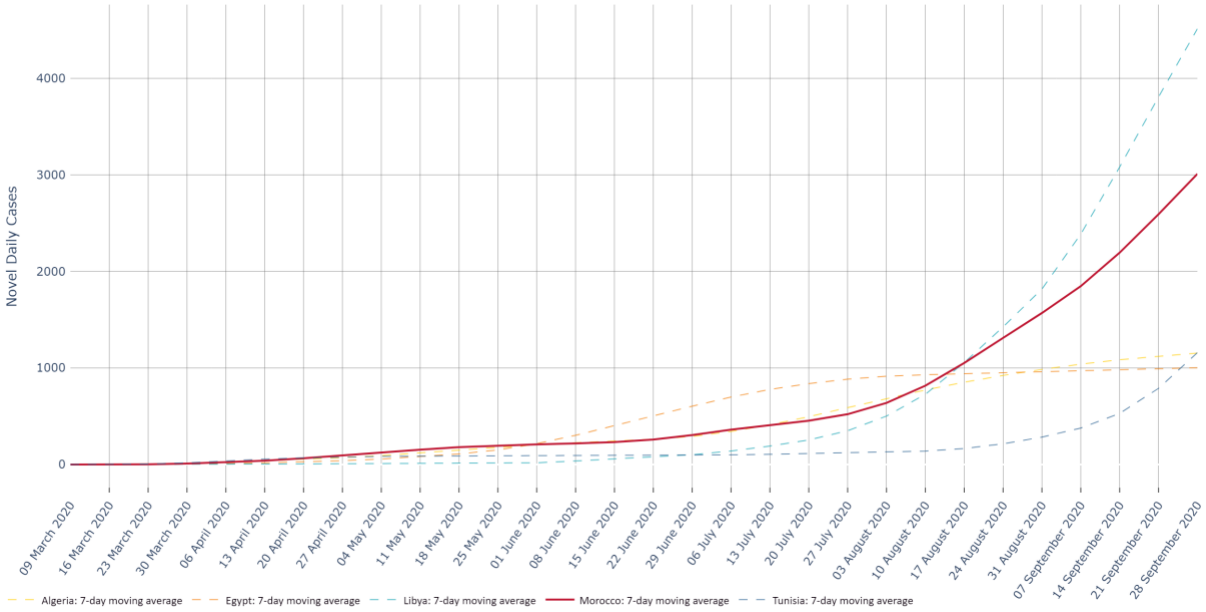
sample for Morocco was selected using stratified random sampling to ensure the sample is representative over the whole population and some specific sub-categories. As part of this report, we use the survey collected in 2019 as well as the Covid-19 follow-up survey that was administered in June 2020.

OMTPME, "Rapport Annuel 2018", 2020 (link)
The creation of the Observatoire Marocain de la Très Petite, Petite et Moyenne Entreprise OMTPME resulted from a partnership in 2013 between the central bank (Bank Al-Maghrib), CNSS, the tax services (DGI) and the Moroccan office of industrial and commercial property (OMPIC); in a joint effort to publish data on the network of Moroccan SMEs. Their first report was published in 2020, and contained an analysis based on 2018 data. The final dataset merges data supplied by the four departments previously mentioned, and lists all 249,131 active legal entities registered with the tax authorities regarding the corporate tax (Impôt sur les sociétés).

7.2 ADDITIONAL GRAPHS AND TABLES

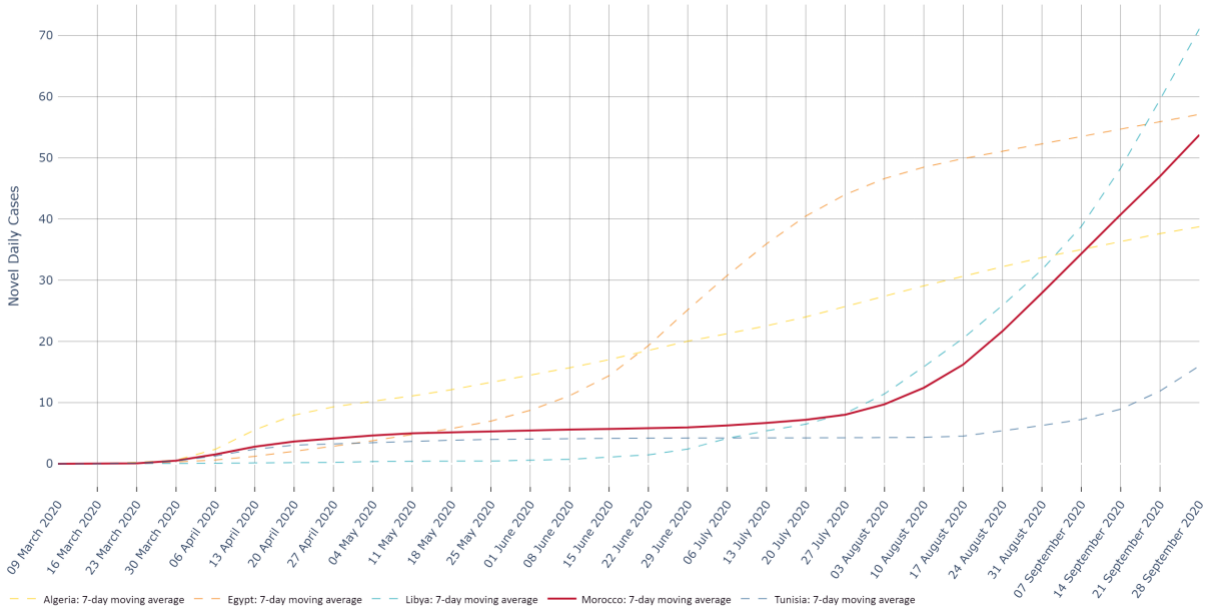
7.2.1 SECTION 2

Figure 29: Evolution of the number of Covid19 cases, Morocco and neighboring countries.



Source: Johns Hopkins Center for Systems Science and Engineering.

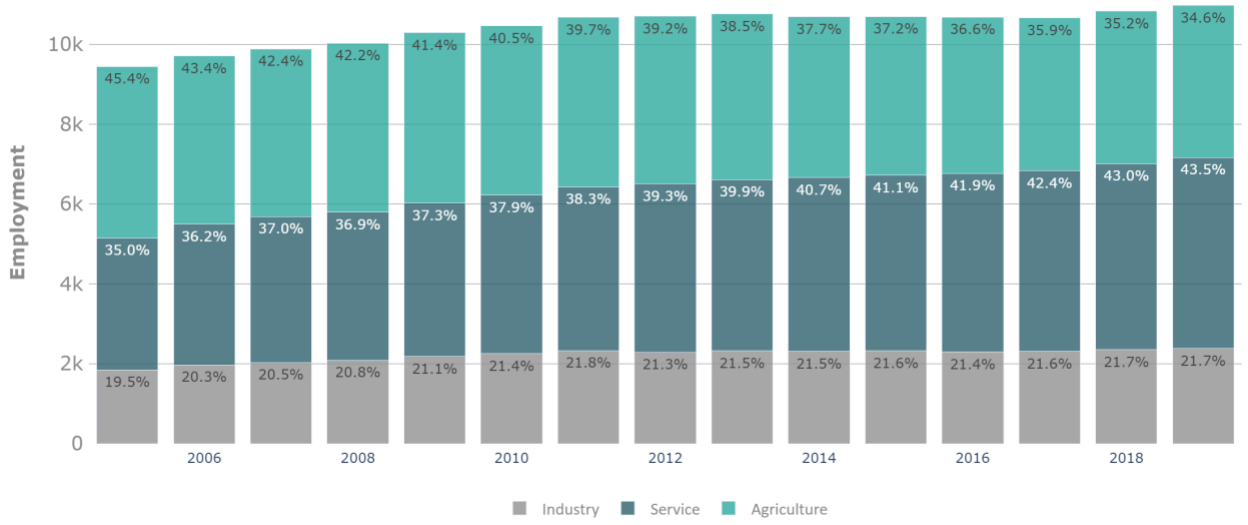
Figure 30: Evolution of the number of Covid19 deaths, Morocco and neighboring countries.



Source: Johns Hopkins Center for Systems Science and Engineering.

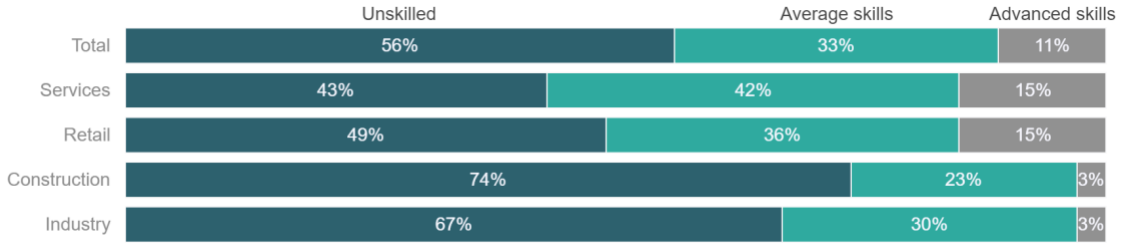
7.2.2 SECTION 3

Figure 31: Composition of the labor force in Morocco before 2019



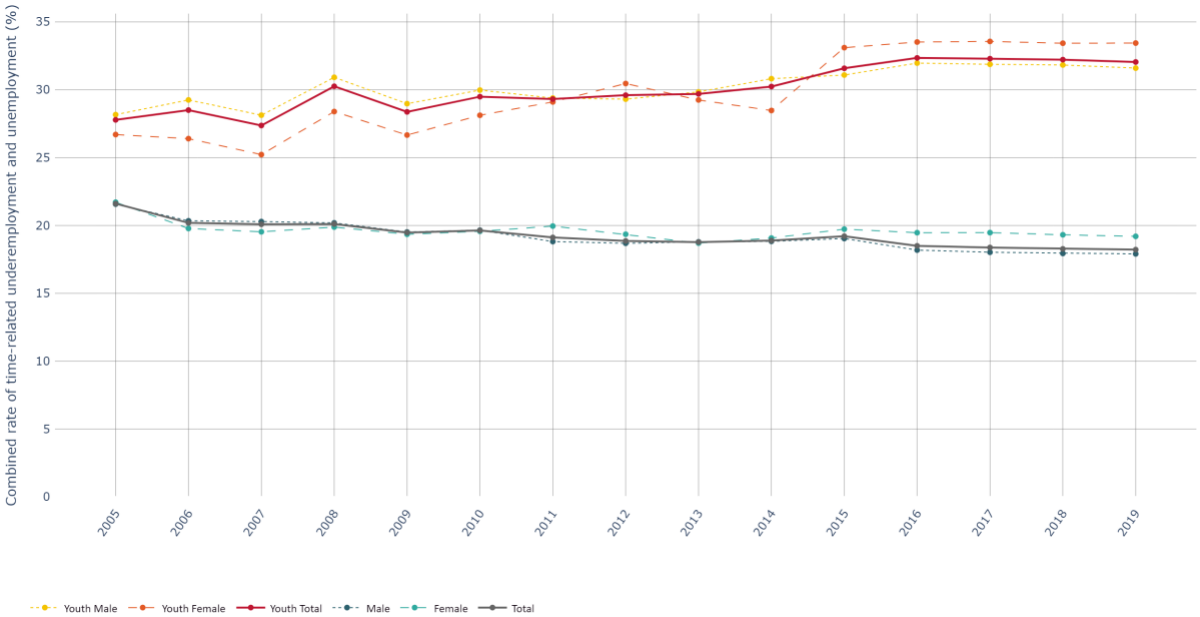
Source: ILO, 2020.

Figure 32: Distribution of laid off workers due to Covid-19, by skill qualification



Source: HCP, "Reprise d'activité des entreprises suite à la levée du confinement", July 2020.

Figure 33: Combined rate of time-related underemployment and unemployment (LU2) in Morocco



Source: ILO.

7.2.3 SECTION 4

Table 3: Distribution of firm registrations, employment and turnover by firm size (2018)

ANNUAL TURNOVER INTERVAL (MAD MILLION)	SHARE OF TOTAL REGISTERED FIRMS	SHARE OF TOTAL EMPLOYMENT	SHARE OF TOTAL TURNOVER
0 - 3 (micro-enterprises)	87.3%	18.7%	4.1%
3 - 10 (very small enterprises)	7.0%	12.6%	5.8%
10 - 50 (small enterprises)	4.2%	23.7%	13.9%
50 - 175 medium enterprises	1.0%	17.5%	12.9%
> 175 large enterprises	0.5%	27.5%	63.3%

Source: OMTPME, "*Rapport Annuel 2018*", 2018.