Compensation system for the year 2014

As part of the gradual reform of the Clearing Fund, the 2014 indexing system for fuel prices allowed the state budget to be resilient against international market fluctuations and to continue the support of consumers’ purchasing power.

Consequently, the control of the compensation expense for liquid petroleum products in the amount of appropriations under the Finance Act 2014 has prevented the use of credit line during the year and thus the debt that accentuates the macroeconomic vulnerability, reduce the margin of maneuver for investment and negatively impact the budget deficit, growth and employment.

Evolution of the budget deficit within and out the compensation system

Therefore, the steps taken in 2014 are mainly the compensation removal of premium gasoline and the N2 fuel intended for the production of electric power and the gradual quarterly subsidies reduction of diesel as follows: 2,15 Dh/l in January; 1,70 Dh/l in April; 1,25 Dh/l in July; 0,80 Dh/l in October.

However, the State has continued to support a part of the subsidy of diesel and all of the fluctuation of the international market of butane gas, diesel for coastal fishing and sugar for a budget of 29 billion DH. The State also continued the compensation for the nationally produced common wheat and the wheat intended for the production of free flour for a budget of nearly MAD 2.38 billion.
Along with this reform, several accompanying measures were taken such as a support system for the transport sector, the allocation of a direct aid to The National Office for Water and Electricity (ONEE) following the compensation removal of fuel in order to support electricity rates, as well as the promotion of solar pumping in the agricultural sector in the context of the national energy strategy.

Furthermore, the combined effect of the application of the indexing system and the favorable international market in 2014 marked by falling prices of oil products compared with 2012 caused a significant drop in fuel prices at the pump.

In fact, the price of premium gasoline has seen on December 16, 2014 a decrease of 2.82 DH / L compared to the price of July 1, 2014 thus moving to a lower price than before the indexing. Regarding the N2 fuel and
Regarding diesel, the Decree of the prime minister on the indexation of fuel prices had planned a subsidy decrease of 45 ct/L on 16 October 2014, which should have increased the price at the pump. However, given the fall in international prices, the price of diesel did not increase at October 16, 2014 and it even went down 70 ct / L the same date.

Thus, the combined effect of the application of the indexing system and the decline in the price of diesel on the international market has resulted in the decline in the compensation expense for this product in 2014 which went down to MAD 8.8 billion against MAD 15.8 billion in 2013 and MAD 22.02 billion in 2012.

On this basis, the projected compensation expense related to petroleum products to the end of 2014 would remain within the limits of the appropriations allocated for this purpose in the 2014 Finance Act.
The compensation expenses allocated for petroleum products for the year 2014

It must be noted that the burden of butane in 2014 monopolizes nearly 52% of compensation funds for oil products for a budget of nearly MAD 14 billion.

As for food products, the forecast expenses would amount to MAD 5.6 billion at the end of 2014, MAD 3.26 billion of which as compensation for sugar and MAD 2.38 billion to wheat and the national common wheat flour.

Therefore, the projected overall cost on the subsidy for commodities shall remain at the level of the appropriations of the 2014 Finance Act.

For 2015, the Finance Bill 2015 on the compensation was designed around a social and fiscal balance which helps to support the purchasing power of citizens through the subsidy of butane gas and food products, ensuring balance and sound management of public finances.

This is a total compensation removal of liquid petroleum products with the introduction of a price approval system to promote competition by setting a maximum selling price.

Nevertheless, the State will continue to support the prices of butane gas, sugar and national common wheat flour. To this end, the Government granted under the 2015 Finance Act to the Clearing Fund MAD 31.9 billion, thus demonstrating the will of the State to pursue its commitments on social protection and in the support of purchasing power. This amount includes MAD 2 billion allocated for the accompanying measures and MAD 7.49 billion to finance the overdues of previous years.