

# SUMMARY OF THE REPORT ON SUBSIDIES FOR THE YEAR 2019

## INTRODUCTION

The reform of the subsidy system had two primary purposes, on the one hand, the contribution to the recovery of the country's macroeconomic equilibrium and, on the other hand, the migration of an expensive, generalized and poorly targeted aid system towards a new system that would improve the efficiency and effectiveness of public action in this field.

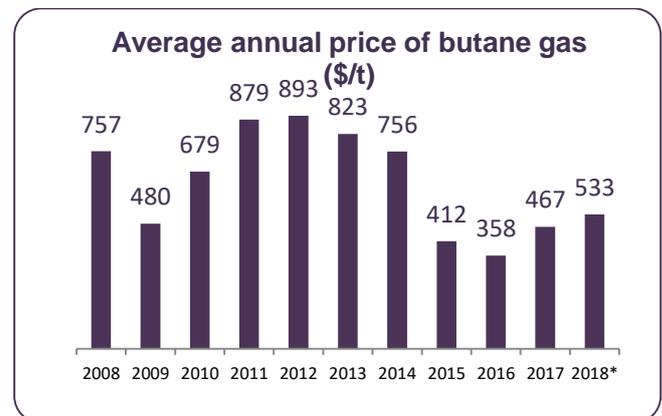
The visibility provided by the reform and the margins earned after the price liberalization of the liquid petroleum products, which accounted for more than 60% of the subsidy cost, made it possible to strengthen the various current social programs (Tayssir, Ramed, Daam...).

And in accordance with the Royal Guidelines stated in the Throne Day Speech on July 29, 2018, national support and social protection policies will be re-designed using a participatory approach to improve their effectiveness. To this end, the government is currently working with the technical and financial support of the World Bank for the implementation of the Unique Social Register project which will provide a platform for centralizing data and programs for a better targeting of the eligible population.

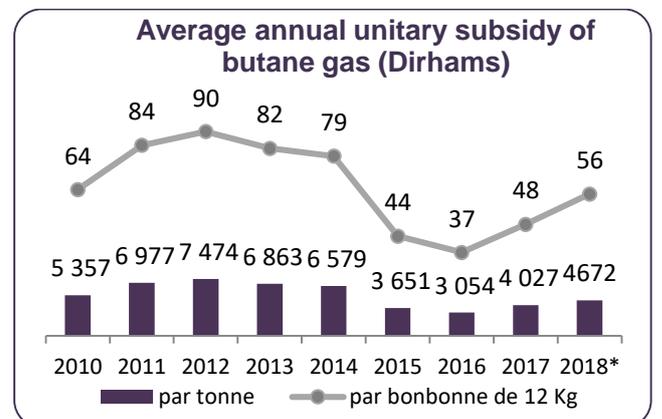
Pending the operationalization of the said register, prices of butane gas, sugar and a limited quota of domestic wheat flour continue to benefit from the subsidy.

## BUTANE GAS SUBSIDY

The average price of butane gas was \$ 533/t at the end of September 2018, compared with an average of \$ 467/t for 2017. As a result, the average unit subsidy for butane gas increased from 4,027 dirhams/t in 2017 to 4,672 dirhams/t in 2018 (January-September period); 56 dirhams per a bottle of 12 Kg and 14 dirhams per a bottle of 3 Kg.

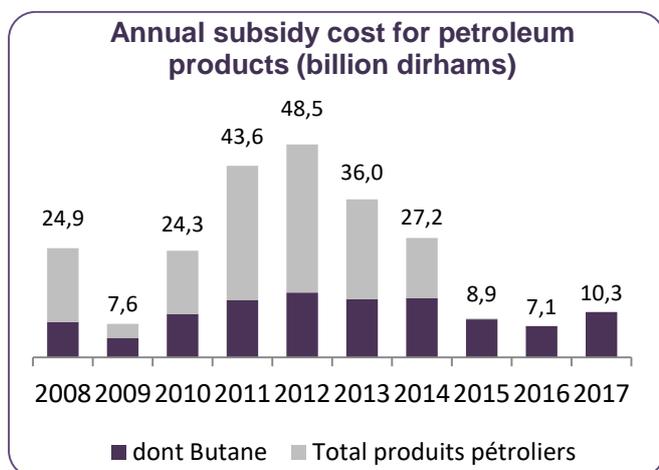


\* End of September



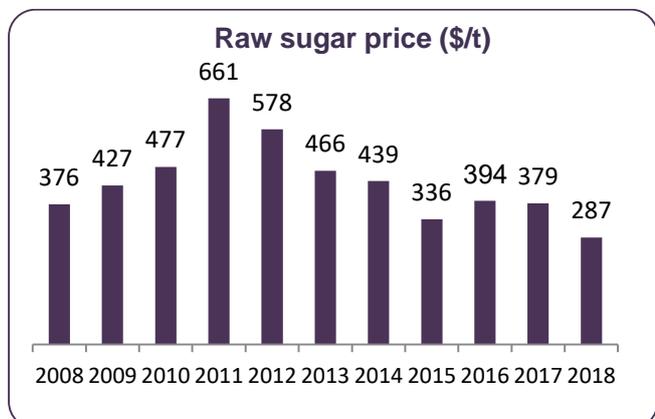
The subsidy cost for butane gas recorded 10.315 billion dirhams in 2017 compared to 7.138 billion dirhams in 2016.

This increase is mainly due to the rise in the international price of butane, which went from \$ 358/t to \$ 467/t from 2016 to 2017, and from the increase in national consumption. The butane gas cost includes 9.983 billion dirhams for the support of the price of gas cylinders and 332 million dirhams for the management of bulk butane transport between ports and filling centers; in order to guarantee the uniqueness of the basic price at national level.



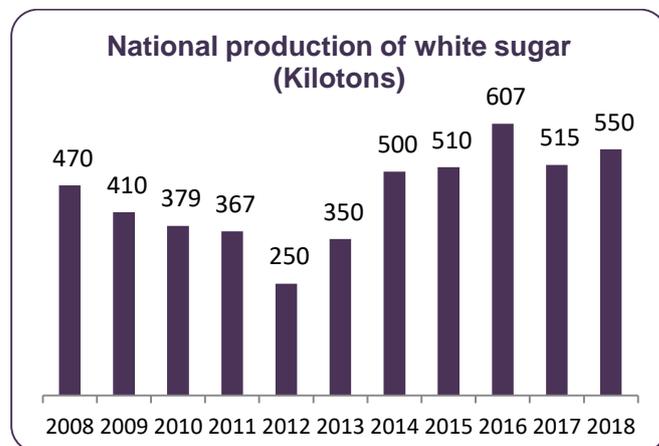
## SUGAR SUBSIDY

The price of raw sugar has been in a prolonged decline in recent years, going from \$ 661/t in 2011 to \$ 379/t in 2017 and \$ 287/t for the period January-September 2018. This decline is mainly due to the growth of the world sugar stock.

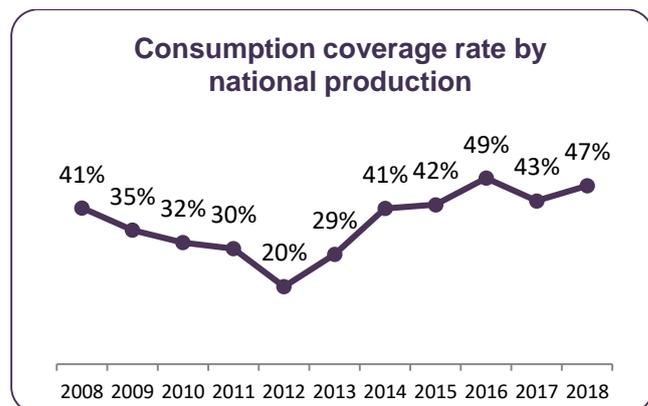


When it comes to national production, and following the efforts made by the State in the sugar sector especially in the revaluation of sugar crops, and strengthening the financial incentives

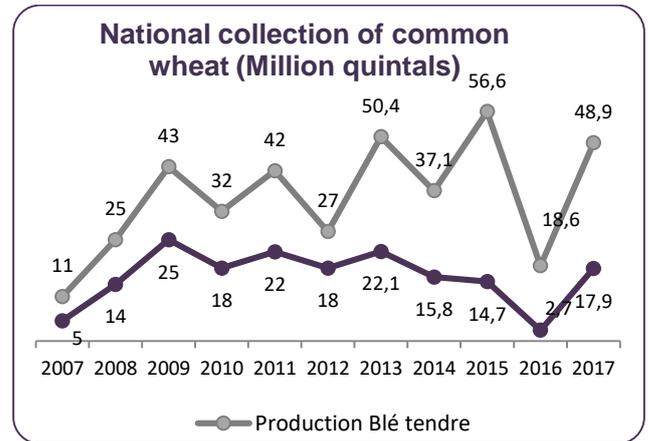
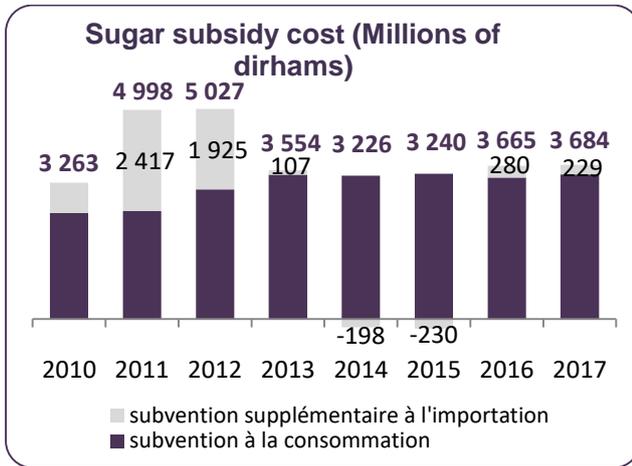
of the Agricultural Development Fund by granting a subsidy to the plantation of sugar cane, under the 2013-2020 sugar program contract; domestic production of white sugar has increased significantly from 250 kilotons (KT) in 2012 to 607 KT in 2016 (record level), and will stand at 550 KT in 2018.



Thus, the consumption coverage rate by domestic production has increased from 20% in 2012 to 49% in 2016, then to 47% in 2018.



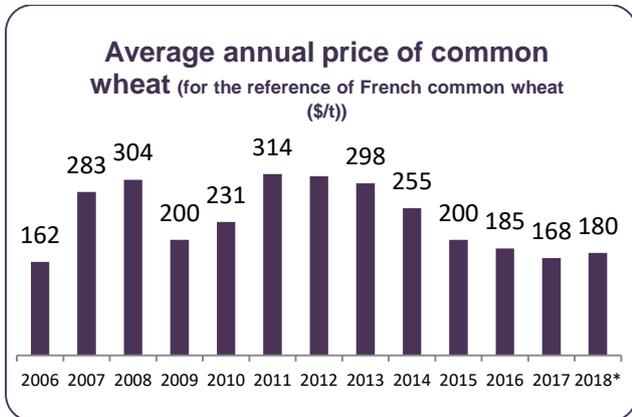
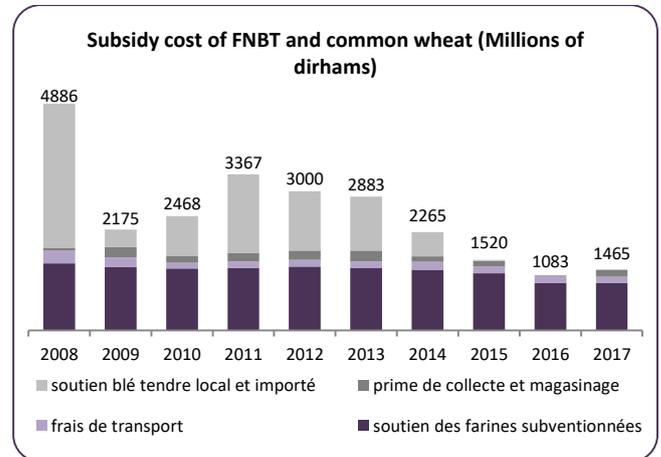
In 2017, the subsidy cost for sugar amounted to 3.68 billion dirhams, of which 3.45 billion dirhams in support of the consumption of refined sugar, and 229 million dirhams for the additional subsidy on imports of raw sugar.



## SUBSIDY FOR COMMON WHEAT AND COMMON WHEAT FLOUR

The subsidy cost for common wheat and common wheat flour amounted to 1,465 million dirhams in 2017, of which 1,025 million dirhams from the FNBT subsidy.

International common wheat prices averaged \$ 180/t over the January-September 2018 period, peaking at \$ 226/t in early August. This is the fourth year in a row that the average price of common wheat is less than \$ 200/t, compared to more than \$ 300/t in 2011, 2012 and almost as much in 2013. The continued increase in world production leading to the build-up of stocks in recent years has contributed to the decline in the price of common wheat.



## DRAFT FINANCE ACT FOR THE YEAR 2019

Production of the three main cereals for the 2017/2018 crop year recorded 103 million quintals. The forecast production of common wheat is estimated at 49.1 million quintals followed by durum wheat at 24.2 million quintals and barley at 29.2 million quintals.

The 2019 Finance Act allocated a budget of 17.670 billion dirhams for subsidy to support the prices of butane gas, sugar and domestic wheat flour.

For 2017, the quantity collected in common wheat is estimated at 17.9 million quintals, a collection rate of 37%. This is the largest collection in terms of quantity since 2013.