

Morocco

Fiscal Year 2025

Capacity Development Activities

Central Bank Operations

Assist the transition to a more flexible exchange rate regime

A joint Monetary and Capital Markets Department and METAC team delivered a technical assistance mission to the Bank Al-Maghrib (BAM) to provide guidance on the next phase in the gradual transition to a more flexible exchange rate regime. The mission had a virtual component (during 16-20 September) followed by an in-person part in Rabat, Morocco (14-18 October). First, the mission team evaluated the key components required for the development of foreign exchange (FX) hedging markets, highlighting legal, fiscal, economic, and certification challenges. Second, it proposed an alternative methodology for the reference rate and an FX intervention strategy for the next phase towards a more flexible exchange rate regime. Finally, the mission assessed banks', large importers/exporters', and SMEs' preparedness for higher exchange rate flexibility.

Strengthening Liquidity Management

The Bank Al Maghrib (BAM) requested METAC assistance in i) assessing its existing framework for monitoring and forecasting liquidity; and ii) analyzing its monetary policy implementation framework's adequacy for adopting inflation targeting. The mission from 27 January to 6 February 2025 assessed that the BAM has in place a well-structured monetary policy implementation framework suitable for a full-fledged inflation targeting policy regime. Further, the BAM has a well-articulated liquidity monitoring and forecasting framework in place but could benefit from a more integrated and consistent approach based on the mission's recommendations. The BAM's liquidity injection framework is solid and designed for a system with a reasonably high reserve requirement and full averaging. However, currently absent a reserve requirement with averaging, adjustments are needed in line with guidance provided by the mission.

Financial Supervision and Regulation

Developing Supervisory Guidance for the Review of Banks' Liquidity Reports

During 21-25 October, METAC assisted Bank Al Maghrib (BAM) in developing a first draft of internal guidelines to aid the supervisors in their review process of banks' Internal Liquidity Adequacy Assessment Process (ILAAP) reports. In its pursuit to implement Basel III requirements, the BAM introduced in 2014 the Liquidity Coverage Ratio requirement with the objective to promote banks' resilience to short-term liquidity risk. BAM recently developed a draft regulation on Net Stable Funding Ratio to mitigate funding risk over a longer horizon and prepared a draft regulation on ILAAP which set out supervisory expectations for banks' internal assessment of liquidity risk. The internal guidelines for ILAAP are planned to be finalized with the help of METAC in February 2024. These guidelines will serve as a reference to guide supervisors in their dialogues with banks on the effectiveness of liquidity management, its governance, and the adequacy of liquidity buffers.

Developing Supervisory Guidelines for ILAAP Review

In February, METAC assisted the Bank Al-Maghrib in developing internal guidelines to support supervisors in reviewing banks' ILAAP (Internal Liquidity Adequacy Assessment Process) reports. These guidelines outline key questions for on-site and off-site supervisors to address during the review, highlighted critical areas of liquidity risk assessment, and specified control techniques to be performed. The mission also provided training to ensure effective implementation of the guidelines, which help supervisors assess banks' liquidity risk profiles, align with Basel III Pillar 2 requirements, and ensure that banks take corrective actions or implement additional liquidity buffers where necessary.

Government Finance Statistics and Public Sector Debt Statistics

Government Finance Statistics Training

METAC delivered an in-person GFS training in Rabat, Morocco, from 16-20 December to support the authorities in Government Finance Statistics (GFS) compilation and extend the institutional coverage. The main objectives of the training were to introduce the concepts and principles of the GFS Manual 2014 (GFSM 2014) and demonstrate classification and compilation cases of GFS. The mission also assessed the existing capacities, institutional arrangements, and available data sources, laying the groundwork for CD in the coming fiscal year.

Revenue Administration

Development of an e-invoicing project

E-invoicing has a strong impact on tax compliance if the implementation is strategically planned, involving key stakeholders, and ensuring that key data analysis capabilities are in place. At the request of the Moroccan tax administration, METAC supported the initial steps in the development of an e-invoicing project. During 4-17 July, METAC helped the General Directorate of Taxes to assess the current situation, specific needs, and expectations. During a series of productive workshops and brainstorming sessions, the appropriate invoicing model was selected. The joint work also resulted in a benefits-driven project plan and schedule for the preparation of functional and technical specifications and the required change management arrangements. The Moroccan authorities have an ambitious plan, dedicated resources and every prospect of success working with METAC.

Improving the use of Emerging Data Analysis Technologies

In Rabat, Morocco, from July 15-24, METAC supported the Moroccan Customs Service in developing the necessary skills to design and implement machine learning models in Python software, specializing in dynamic selectivity. An intensive workshop was organized to build capacity in this area. It is a strategic objective of the Moroccan Customs to develop Artificial Intelligence (AI) strategies to make more effective use of data and improve revenue collection using cutting-edge technology to detect fraudulent transactions. The workshop was attended by five dedicated officers from the Risk Management, Statistics, and IT departments. The participants brought a deep understanding of their customs environment, facilitating an in-depth and engaging learning experience.