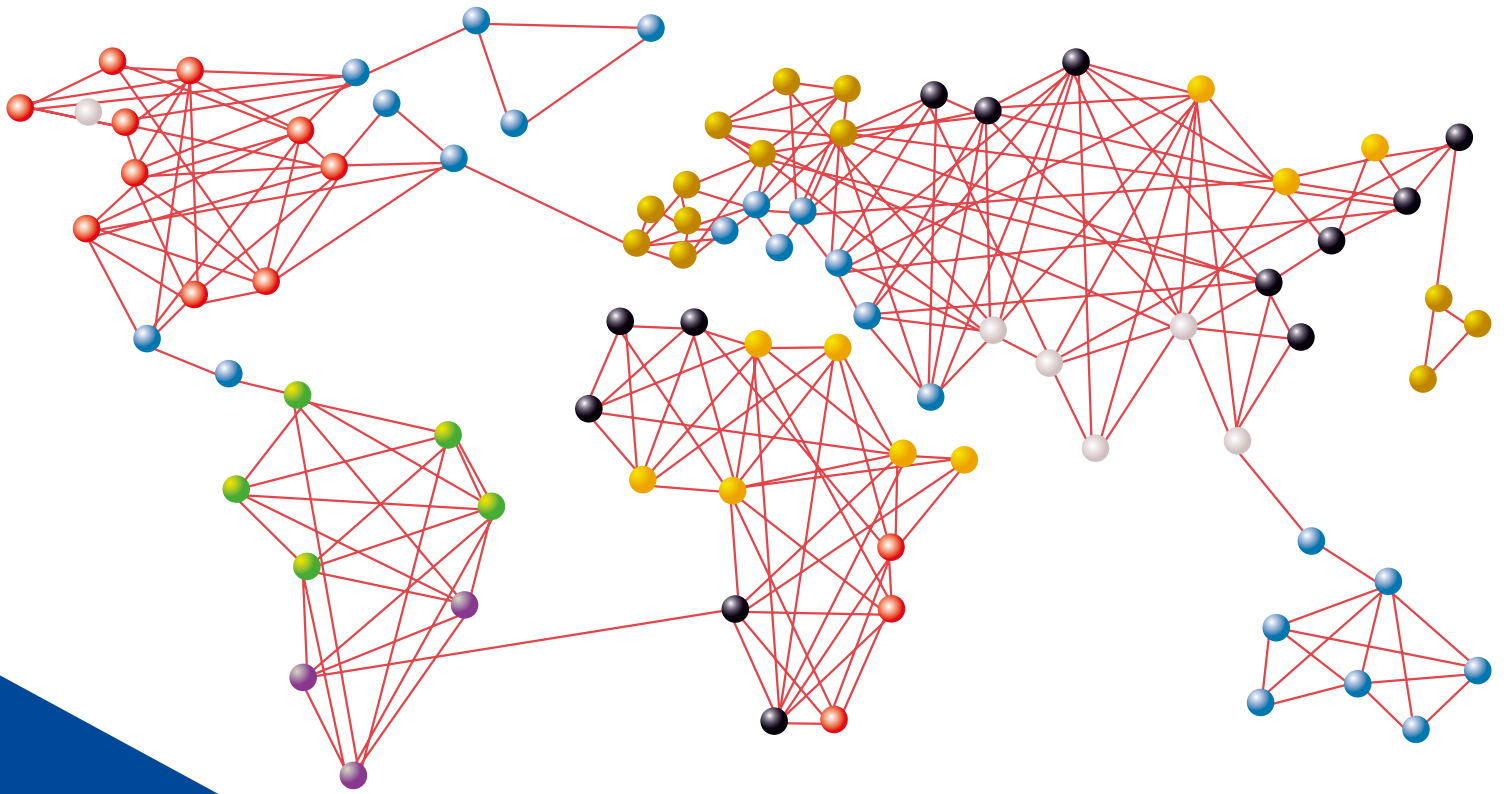




International
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Organization



► **Financial mechanisms for innovative social and solidarity economy ecosystems: The case of Morocco**

Financial mechanisms for innovative social and solidarity economy ecosystems: The case of Morocco



Mohamed Bazi

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Abstract

All components of Moroccan society are increasingly interested in the Social and Solidarity Economy (SSE). The importance of this sector is well established in a context marked by a constantly growing population, alarming unemployment rates and significant work integration challenges for a considerable portion of the population. Faced with these concerns, the SSE sector presents itself as an alternative capable of producing a sustainable and targeted impact for inclusive development.

In this paper, the main aspects related to the Moroccan SSE ecosystem, its main protagonists and the public policies that frame it are explored. Also, the means of financing available within the SSE framework in Morocco are analysed. Finally, the issue of the Covid-19 crisis and its impact on the SSE sector in the Moroccan context are explored.

About the author

Mohamed Bazi is a Professor of Finance and Strategy at the Faculty of Law, Economics and Social Sciences of Mohammedia, Hassan 2 University of Casablanca – Morocco. He is also a consultant and has worked as a researcher with the European Institute for Research on Cooperative and Social Enterprises (EURICSE) – University of Trento (Italy) – in the framework of the Financial Mechanisms for Innovative Social and solidarity economy ecosystems project commissioned by the International Labour Organisation.

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I would like to thank the European Institute for Research on Cooperative and Social Enterprises (EURICSE) for involving me in the Financial Mechanisms for Innovative Social and Solidarity Economy Ecosystems project as a researcher. My sincere thanks go to Riccardo Bodini, Samuel Barco Serrano, Michael Roy and Gianluca Salvatori and to the entire project team for their dedication and professionalism.

My thanks go to the International Labour Organisation (ILO) for its ongoing interest in social issues and its support for the SSE worldwide and, in particular, to Roberto Di Meglio and Valentina Verze for coordinating and guiding this research project. I am also grateful to the ILO reviewers who helped improve the quality and relevance of this work through their well-founded advice, especially Jose Manuel Medina Checa, Guy Tchami and Valentina Verze. Special thanks to Youssef Alaoui Solaimani, consultant and trainer on SSE, for his extensive review and observations.

Finally, this work would not have been possible without the many people who gave us their time during interviews and invited us to their conferences, particularly Mrs Saloua Tajri, Director of the Promotion of Social Economy at the Ministry of Tourism, Handicrafts, Air Transport and Social Economy.

Foreword



Vic Van Vuuren
Enterprises Director
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The social and solidarity economy (SSE) is receiving increasing attention due to its role in addressing various economic and social challenges, ranging from the future of work to the provision of social services. This role is particularly important in light of the COVID pandemic, which has aggravated existing social problems, generated a major economic crisis, and generally brought in sharp relief of the need to reimagine many of the underpinnings of our economy and way of life. In this context, the organisations that compose the SSE, characterised by a strong focus on addressing basic human needs and a close alignment with the interests of the communities in which they are located, can be a major asset and one of the pillars on which to build a post-COVID recovery effort.

As public and private institutions seek out ways in which the SSE can be supported and developed, the availability of financial resources has been identified as a key lever for expanding the capacity of SSE organisations. Indeed, as SSE organisations engage in producing goods and services, finance is important for them as it is for many other types of enterprises: it can help cover start-up costs, address cash flow issues, fund investments, etc. What is less clear is the extent to which SSE organisations have more difficulties than traditional enterprises in accessing financial resources, what kind of financial resources should in fact be available to them, for what purposes these resources are being used and in what ways they can be accessed. While there are many discussions on these topics, empirical evidence remains scant.

To answer some of these questions, in 2018, the ILO commissioned to Euricse a study on 'Financial Mechanisms for Innovative Social and Solidarity Economy Ecosystems'. The project, funded by the Government of Luxembourg, was structured in three stages. First, it developed a comprehensive overview of possible financial sources and mechanisms through which these resources could be accessed, both traditional and innovative, generic or tailored to the specific characteristics of SSE organisations. Second, assisted by national researchers, it investigated how SSE ecosystems are structured and what financial resources SSE organisations actually use in eight countries globally. Finally, it conducted a comparative analysis of the

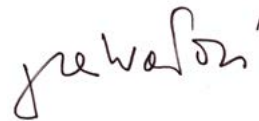
findings to tease out cross-cutting themes and overarching issues and to develop a list of policy recommendations.

The national case studies developed regarding the 'Financial Mechanisms' project, in addition to being instrumental in developing the insights presented in the final report (ILO, 2019), were valuable pieces of research in their own right and are now available as free-standing documents. This report in particular presents the analysis conducted in Morocco, updated to reflect the latest trends and data, and with the addition of a set of observations on the impact of the COVID crisis and the SSE role in post-COVID recovery.



Vic Van Vuuren

*Enterprises Director
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▶ Table of Contents

Abstract.....	iii
About the author	iv
Acknowledgements.....	iv
Foreword.....	v
Introduction	1
1. Socioeconomic evolution of the country	2
1.1. Main trends and issues characterising the country.....	4
1.2. SSE Roots and drivers.....	7
1.3. Main actors and stakeholders in the SSE ecosystem	16
1.4. The SSE and policy framework.....	24
2. Financial mechanisms: The case of Morocco.....	26
2.1. Overview of the main financial mechanisms	27
2.2. Description of a specific mechanism: the INDH.....	30
2.3. Relevant examples.....	32
3. The SSE and Covid-19: Impacts and Outlook.....	34
3.1. The impact of the Covid-19 crisis on SSE organisations	35
3.2. SSE responses to Covid-19.....	36
4. Conclusions and policy recommendations	40
4.1. Opportunity for SSE growth	41
4.2. Importance of finance as one of the key drivers.....	41
4.3. Main existing gaps and obstacles	42
4.4. Emerging mechanisms to be developed	42
4.5. Policy recommendations	43
References	46



► Introduction

The importance of the Social and Solidarity Economy (SSE) sector is well established in the kingdom of Morocco. The country's statistics show rapid population growth, alarming unemployment rates and significant challenges in work integration for a significant portion of the population. Since independence, Morocco has undergone several stages that have forged its perception of social issues. These changes, adding to the national and regional context, have led the country to acquire over time an ecosystem built around the SSE, represented mainly by its cooperative movement.

If the question of financing seems to be at the heart of the traditional economy's priorities, its importance is even greater for the SSE. With

regards to this issue, the National Initiative on Human Development (INDH) is presented later in this paper as an integrated financing channel that propels SSE organizations in the country.

The paper first discusses key trends and issues characterising Morocco to understand the roots of its SSE ecosystem. Then, a quantitative description of the SSE's actors in Morocco is proposed, and the existing policy frameworks in this field are examined. Thereafter, financing mechanisms for the SSE are discussed alongside the impact of the Covid-19 crisis on this sector. Finally, the paper presents, based on a desk review and various interviews, the development prospects and recommendations for building a more resilient SSE ecosystem.



► 1. Socioeconomic evolution
of the country

According to the Economic, Social and Environmental Council – CESE (2015), the SSE is defined in Morocco as all economic and social activities organised within the framework of legal entities or groups of individuals pursuing a collective and societal interest, independent and benefiting from an autonomous, democratic and participatory management with free membership. The SSE includes all the institutions with mainly social purposes, proposing new economically viable and inclusive models and producing goods and services on a mutualised and solidarity basis, centred on the human element and the satisfaction of social needs following the general interest, and consistent with sustainable development and the fight against exclusion. Although the ILO has not yet proposed an official definition, its Regional Conference on Social Economy, Africa's Response to the Global Crisis (October 2009) defined the SSE as a *'concept designating enterprises and organisations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity'*. This definition parallels that of CESE. Indeed, in both definitions, cooperatives, mutuals, associations and social enterprises are the most common types of SSE organisations, but this list is not exhaustive. It is a dynamic and evolving group of actors who promote and run people-centred economic organisations.

The SSE in Morocco is the subject of much discussion in economic, political and academic circles. The Moroccan context and the developments in the region, coupled with its demographic and economic characteristics, pose significant social challenges and heighten

the importance of SSE organisations, especially in light of the population they target. The SSE ecosystem, comprising a plurality of organisations, has not ceased to evolve and grow since the independence of the country in responding to the specificities of its context.

The state's involvement in the Moroccan SSE is particularly important for both the number of public agencies working on related issues and the allocated budget. Public authorities are aware of the decisive role that these organisations play in integrating young people, emancipating women (especially in rural areas) and providing access to education. The SSE sector has expanded in particular due to the advent of the National Initiative for Human Development (INDH) and the national strategy of the SSE (2010–2020). This strategy is in line with the social development and converges perfectly with the objectives of the INDH¹.

The INDH, launched in 2005 and considered the most important social measure ever adopted in Morocco, has greatly considered the associative and cooperative sectors, as they can address the needs of the segments of the population targeted by INDH. Thus, since the creation of the INDH in 2005, all the figures have shown a proliferation of associations and cooperatives. This in turn has generated increased pressure on the available means of financing.

The issue of financing mechanisms in the SSE ecosystems in Morocco is thus becoming increasingly relevant. Despite the interest in this sector shown by public authorities, the available means of financing are few and must be diversified further to become accessible to a greater part of the population.

¹ According to the website of the Ministry of Tourism, Handicraft, Air Transport and Social Economy. <https://mtataes.gov.ma/>

1.1. Main trends and issues characterising the country

Social issues are imperative in the North African region. This importance was evident during the Arab Spring, when social demands emerged. Youth unemployment rates and the rising cost of living, alongside the need to empower women, highlight the importance of the social sector in Morocco, particularly for the most vulnerable segments of the population.

Morocco, for its part, has benefited from extensive experience in this area since independence. In fact, the state's interest in social issues has not ceased to evolve, providing answers deemed appropriate to the problems raised by its context. With these evolutions, the SSE has benefited from the growing interest of public authorities and civil society. This sector takes many forms, encompasses many initiatives and involves a growing number of stakeholders working collaboratively in an ecosystem where much progress has been made but where there is still work to be done. The SSE in Morocco is marked by an increased involvement of the state, whether in the mutual sector and foundations, for regulating cooperatives or providing financial resources. This attention is evident in the subsidies granted under the INDH and in the encouragement of microfinance (Mohammed VI Centre of Solidarity Microfinance Support), which mainly benefit SSE organisations.

1.1.1. Demographic and social indicators

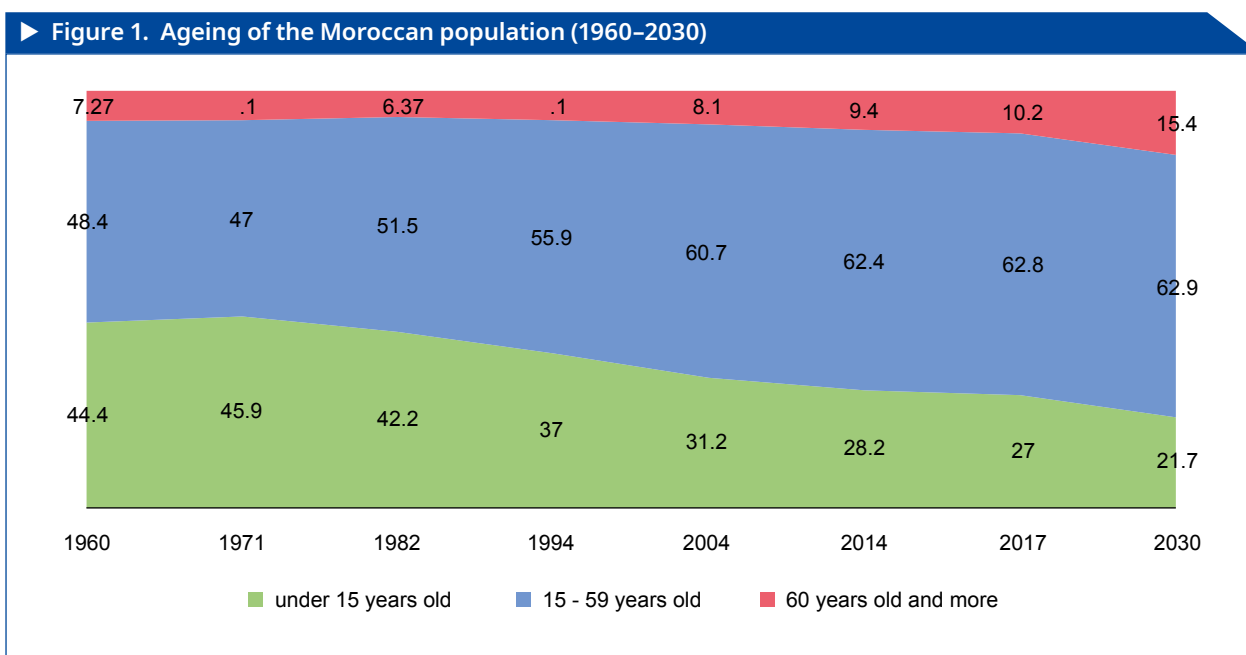
With an average annual population increase of 1.25%, Morocco went from 28.5 million inhabitants in 2004 to 33.8 million during the

last census of 2014. This increase affected more the urban population (2.1%), while it stood at -0.01% for the rural population. The age pyramid reveals a greater concentration of young people (27% of the population aged under 15) compared to a low proportion of elderly people (10.2% over 65). This situation will remain unchanged according to the projections of the Centre of Studies and Demographic Research (CERED), which predicts that, in 2030, 21.7% of the population will be under 15 with a very slight ageing of the population (15.4% over 60). The following figure shows the ageing of the Moroccan population for the period between 1960 and 2030.

At the social level, the last indicators published by the HCP in 2018 are reassuring and show a general trend of continuous improvement: the absolute poverty rate stood at 4.8% in 2014 (1.6 urban; 9.5 rural), while it peaked at 8.9% in 2007 (4.8% urban; 14.4% rural) and 16.2% in 1998 (9.5 urban; 24.1 rural). The vulnerability rate (absolute threshold²) fluctuated between 23.9% in 1998 and 12.5% in 2014. Notably, the vulnerability is significantly felt in rural areas (19.4% against 7.9% in urban areas for 2014), according to the official figures provided by the HCP.

Morocco's Human Development Index (HDI) in 2019 (0.686) exceeds the average for countries with a medium level of human development established at 0.631 (PNUD, 2020). Morocco is ranked in the 121st position behind Algeria (91st with a HDI of 0.748), Libya (105th with a HDI of 0.724), Tunisia (95th with a HDI of 0.740) and in front of Mauritania, ranked 157th with a HDI of 0.546. This situation clearly shows that there are more efforts to be made regarding human development, as evidenced by Table 1.

² Fixed standard of what households should be able to count on to meet their basic needs



Source: High Commission for Planning (HCP)

► Table 1. Human development indicators (1990-2019)

	Life expectancy at birth	Expected duration of schooling	Average length of schooling	Gross National Income GNI ³ (dollars in purchasing power parity)	HDI value
1990	64.7	6.5	2.2	3,710	0.457
1995	66.8	7.3	2.8	3,698	0.487
2000	68.7	8.5	3.4	4,287	0.529
2005	71.7	10.1	3.9	5,209	0.580
2010	74.4	11.1	4.2	6,199	0.616
2015	75.7	12.6	5.0	6,995	0.658
2016	76.0	12.9	5.4	6,973	0.667
2017	76.2	13.1	5.5	7,171	0.673
2018	76.5	13.5	5.5	7,281	0.680
2019	76.7	13.7	5.6	7,368	0.686

Source: Human Development Reports – United Nations Development Programme.

³ The sum of a country's gross domestic product plus net income from abroad. It represents the value produced by a country's economy in a year, regardless of whether the source of the value created is domestic production or receipts from overseas.

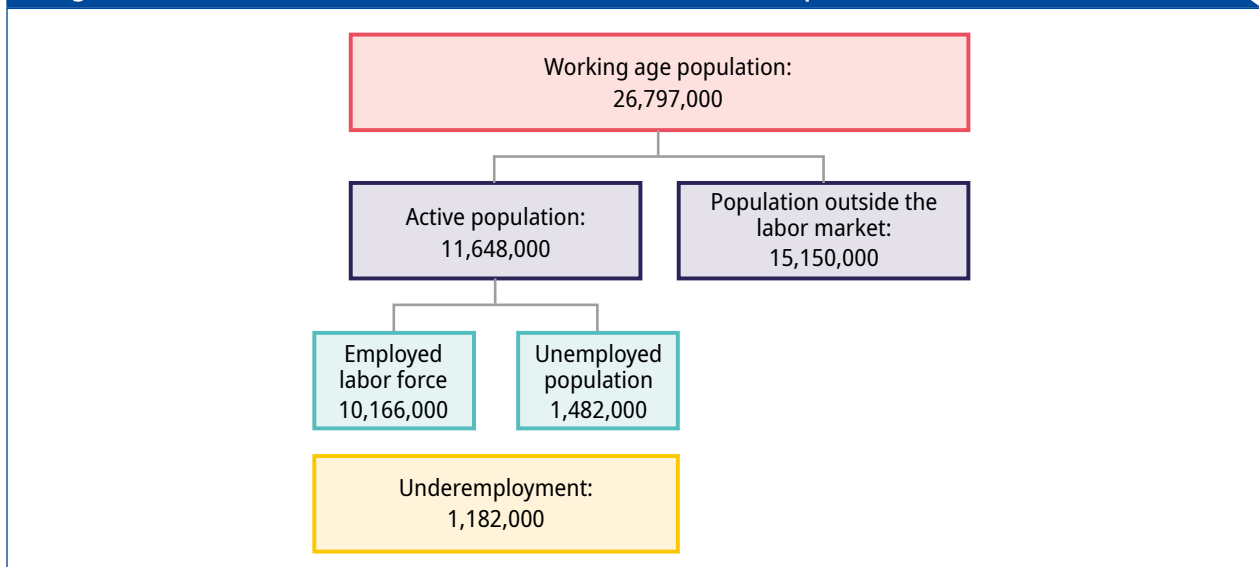
1.1.2. Job market conditions

According to the national survey on employment (HCP, 2018), the Moroccan economy managed to create 126 thousand paid employment positions, including 25 thousand in urban areas, but this creation was amortised by a large loss of 163 thousand unpaid positions⁴, exclusively registered in rural areas. The labour force aged 15 and over increased from 10.3 million in 1999 to 11.9 million in 2017, which represents 34.2% of the country's total population at that date. The review of the activity rate⁵ of adults (aged 15 and over) shows a steady decline between 2001 and 2017 (from 51.4% to 46.7%). Moreover, the gap between urban and rural shrank by 42.4% and 54.1% in 2017, respectively, compared with 48.1% and 63.1% in 1999 (HCP, 2018). Regarding unemployment, the rate has declined steadily over the last decade. Between 2001 and 2017, it fluctuated from 12.3% to 10.2% at the national level, from 22.0% to 14.7% in urban areas and from 5.4% to 4.0% in rural areas (where underemployment predominates, with a rate of 10.8% in 2017).

According to figures released by the HCP, in the second quarter of 2020, Morocco had 18 million women, 13.6 million of whom were of working age (15 years and over). The HCP's analysis reveals a low participation of women in economic activities. Indeed, the same source reveals that the activity rate of women is only 20.8% in the second quarter of 2020 against 21.9% in the same period in 2019. In rural areas, this rate is 23.9%, compared to 19.1% in urban areas. The HCP report also indicates that women outside the labour market, numbering 10.7 million during this quarter, represent 79.2% of the female population aged 15 years and over (80.9% in urban areas and 76.1% in rural areas).

Finally, unemployment is more pressing for higher-level graduates (more than double the national average and more than six times that for the unqualified) despite its decline at the national level. This trend was accentuated with the pandemic crisis, as shown below.

► Figure 2. Evolution of labour market indicators in Morocco (third quarter 2020)

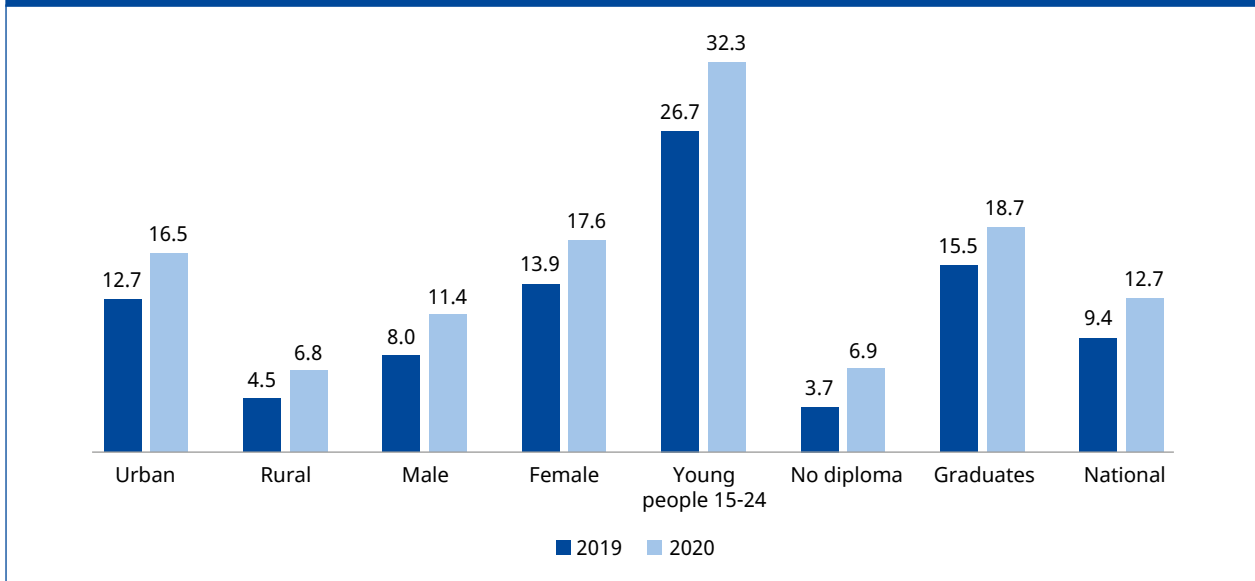


Source: (HCP, 2020)

⁴ Comprises approximately 98% of family support through work according to the report of the High Commissioner for Planning (2018) "The situation of the labor market".

⁵ The ratio of the entire workforce and working age population.

► Figure 3. Evolution of the unemployment rate between the third quarter of 2019 and 2020 among the selected categories of the population (%)



Source: (HCP, 2020)

The national employment survey (third quarter of 2020) shows that the working-age population (15 years or more) reached 26,797,000 people, of which 11,648,000 are active (10,166,000 employed and 1,482,000 unemployed) and 15,150,000 are outside the labour market.

In general, unemployment continues to plague young people, graduates and women, which are the most fragile segments of the Moroccan population. Moreover, youth unemployment is strongly linked to the mismatch between the training courses followed by young people and the labour market requirements. This inadequacy results either in unemployment for this population segment over time or in jobs that are precarious at best.

1.2. SSE Roots and drivers

The first manifestations of the SSE in Morocco date from the colonial period. During this period, associative and cooperative organisations were not open to all categories of the population, were confined to some sectors and lacked the

particular attention they have today. It was only in 1937 that the creation of Moroccan agricultural cooperatives in the cereals sector was opened to Moroccans who were qualified as 'indigenous' by the colonial administration. Later in 1938, a law was published authorising the creation of cooperatives by Moroccans in the sectors of agriculture and handicrafts.

Postcolonial Morocco became aware of the need to draft the first sketches of its social model through the creation of 'national mutual aid' (1957), the 'national promotion' in 1960 or the compensation fund qualified by several researchers as 'social safety nets of independent Morocco'. By establishing its first nets of social security, Morocco began to prioritise the SSE sector, as evidenced by the 1958 publication of the code of civil liberties, which states the role that must be played by associations as intermediaries between the state and its citizens. The Moroccan state later promulgated Law No. 1-58-376, regulating the right of the associations. The association is then defined by Morocco as follows: '... an agreement by which two or more persons permanently pool

their knowledge or activity for a purpose other than to share the profits'. The first associations increasingly focused their role on the fields of culture, youth, animation, sport and charity. However, notably, this part of civil society existed long before the passage of this law and was manifested throughout the protectorate by the resistance and the fight against colonisation.

As Moroccans were generally excluded from the majority of sectors during the colonial period, cooperatives were not authorised until later in the post-colonial era. Laws and decrees authorising and organising the constitution of cooperatives would come gradually with the construction of postcolonial Morocco, enabling the creation of the regional popular banks (1961), retail trade cooperatives (1963), and artisanal fisheries and housing cooperatives (1968). Indeed, the first five-year plan (1960–1964) gave cooperatives a central place in agricultural development, as did the 1969 code for agricultural investments. Moreover, the year 1962 saw the creation of the Office for the Development of Cooperation, which became the Office for the Development of Cooperation (ODCo) in 1975, a public institution charged with promoting and supporting cooperative action. This office provided legal assistance and accompaniment regarding management, marketing, etc.

At the same time, this period highlighted the gaps and limitations that penalised the cooperative sector. Indeed, the creation of cooperatives was limited only to a few sectors, the activities within the same sector were not structured and the links between the various administrative actors and the cooperatives were not sufficiently developed. In response, a law was amended that allowed cooperatives to expand to all human activities and all categories

of producers or consumers. It is the law (24–83) fixing the general statute of the cooperatives and the missions of the ODCo, promulgated in October 1984 and effected in September 1993.

At the end of the structural adjustment years, an OECD study by Morrisson (1992) showed a stabilisation of the Moroccan GDP growth rate for 9 years. This trend was confirmed by the Directorate of Studies and Financial Forecasts of the Moroccan Ministry of Economy and Finance in its report on structural adjustment (1995). The need to overcome social problems has become relevant again after the attacks in Casablanca (2003), perceived as a warning signal establishing a correlation between poverty, poor social integration and Islamist commitment (Catusse, 2005). This phase ended with the advent of the largest social project ever started in Morocco, INDH, which will be extensively described in the second part of this paper.

1.2.1. Quantitative description of the SSE and its relevance in Morocco

The SSE sector in Morocco comprises mainly associations, cooperatives and mutuals⁶. Other new actors, such as worker cooperatives, foundations and social enterprises, are also emerging in the country. However, the analysis will focus on the three dominant types of SSE organisations mentioned above.

Associations

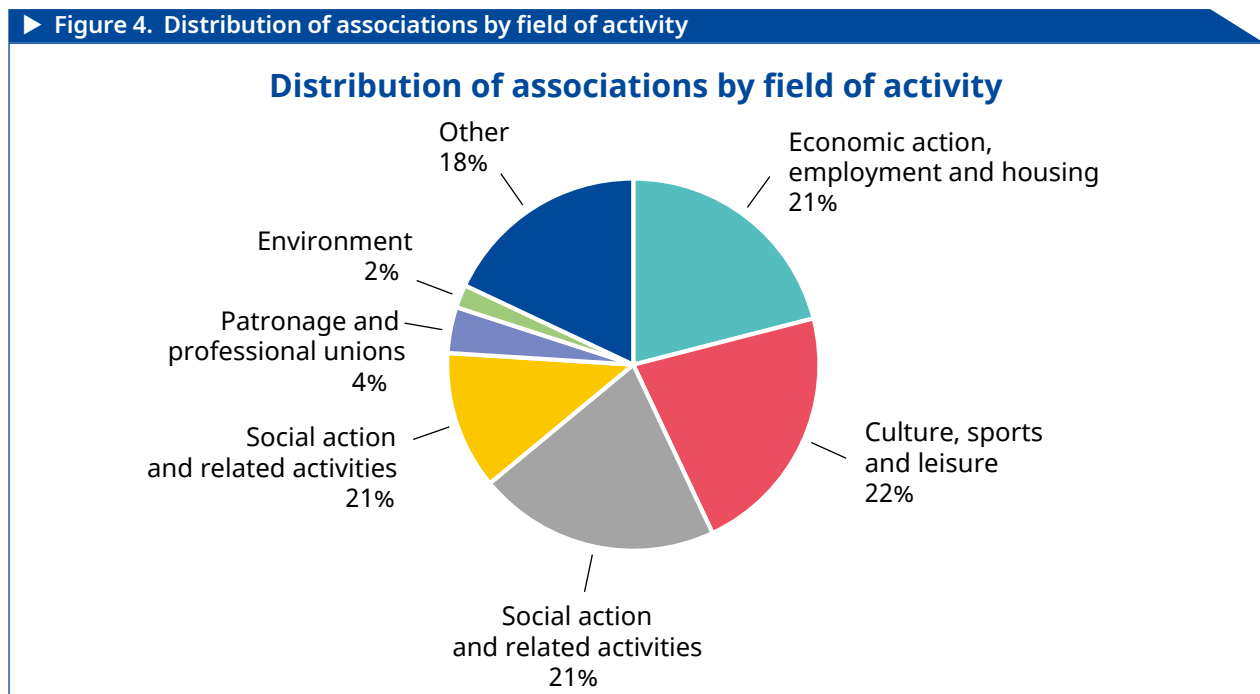
Associations have a growing importance in the Moroccan SSE landscape, as their objectives are often directly related to the interests of citizens in various fields (religious, cultural, economic, educational, infrastructure, etc.). However, research in this area is difficult because of the lack

⁶ 'The diagnosis shared within the CESE reveals that the actors of the SSE sector, by sharing its founding principles and claiming to belong to it, are the cooperatives, mutuals and associations.' (Conseil économique, social et environnemental du Maroc – CESE, 2015, p: 53)

of data produced by Moroccan authorities on this subject. According to the report of the Economic, Social and Environmental Council (Self-Referral No. 28/2016), the description of associations is limited by the lack of available data. In particular, we found no source of information on the resources and budgets of associations⁷.

The information that is available shows that the pace of association creation has experienced two periods of strong growth. The first peak was that of the 1990s, caused mainly by the political opening discussed in the previous section. The second peak of creation was recorded in 2005 with the establishment of INDH. Hence, 4 out of 10 associations identified in 2007 were created between 2005 and 2007, bringing their number to 44,771 in 2007⁸.

Associations in Morocco are legally classified into three groups. The first group is by far the most numerous and comprises ordinary associations declared to the authorities, which therefore have a legal personality and a legal capacity. The second group encompasses recognised associations of public utility, which are declared associations with a wider legal capacity (21, 729 associations in 2016 according to the Economic, Social and Environmental council of Morocco)⁹. The last group includes foreign associations, which are either local representations of associations having their seat abroad or associative groups created by foreigners and with at least half of their members of foreign nationality. In general, these associations are uniformly grouped around various sectors of activity. These sectors include economic action, employment and housing, or social action and related activities. The following graph shows the distribution of associations by field of activity.



Source: National strategy for the SSE 2010–2020

⁷ Conseil Economique, social et environnemental, 2016. (Auto – Saisine n° 28/2016).

⁸ HCP, 2011. Summary Report of the National Survey of Non-Profit Institutions (FY 2007)

⁹ 'Status and dynamisation of associative life.' Report of the Economic, Social and Environmental Council. Self-Inquiry No. 28/2016 www.cese.ma

According to the High Commission for Planning for the 2011 census, membership in associations in Morocco totals approximately 15 million people. This census revealed that 98.6% of these members were natural persons, more than a third of whom are women. The remaining portion comprises legal persons like companies, associations, etc. (HCP, 2011).

Data on beneficiaries show that associations focus specifically on young people, the elderly, alongside people with economic or social difficulties.

According to the figures unveiled by the Minister Delegate handling relations with Parliament and Civil Society during the presentation of

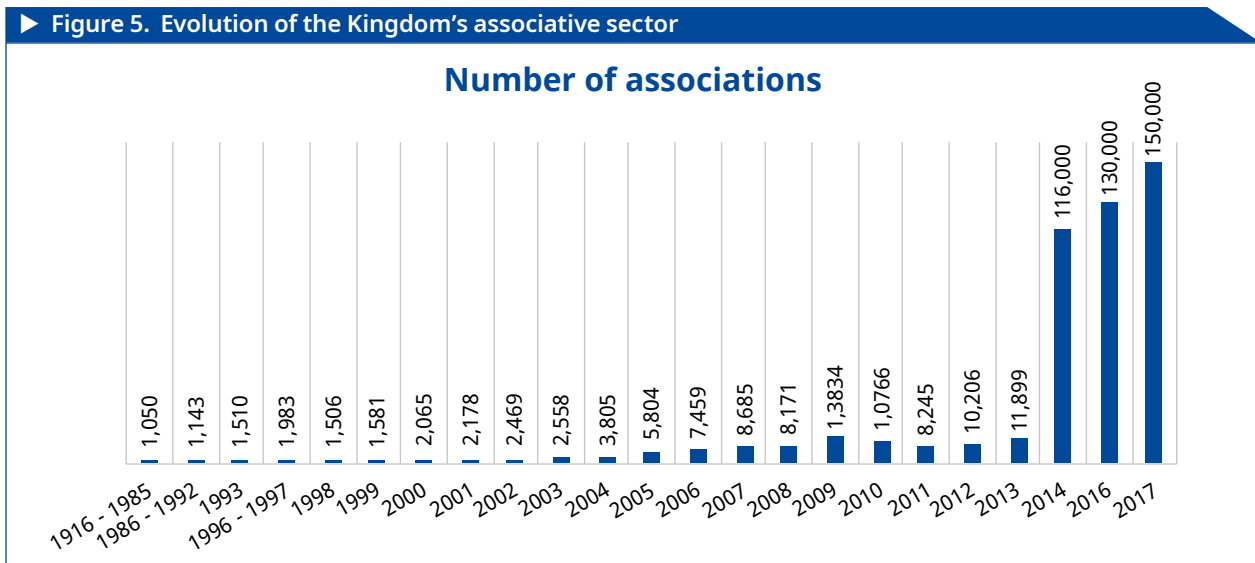
the annual report on the partnership between the State and associations for 2016 and 2017, the associations received total public funding of 5.1 billion Moroccan Dirhams (MAD) against 4.3 billion in 2016 and 4.2 billion in 2015. Also, the self-financing of associations is close to MAD 5 billion, according to national HCP accounts. In 2017, around 2,500 associations benefited from public funding dedicated to associations, which recorded an increase of approximately MAD 1 billion. The partnership between the State and associations tends to intensify, given that the number of signed agreements that govern the support provided by the state to associations increased from 5,084 in 2016 to 7,759 in 2017.

► Table 2. Distribution of beneficiaries according to their situations

	Beneficiaries	Number of persons
By age	Children	20 090
	Youth	20 434
	adults	17 410
	Elderly	13 242
Depending on the vulnerability	Dependent or disabled people	2 681
	Sick people	2 363
	People in economic or social difficulties	7 367
	illiterate	2 270
According to the socioprofessional category	Farmers	5 490
	Merchants	2 206
	Craftsmen	2 293
	Employees or Workers	3 067
	Heads of companies or executives	1 470
	Liberal professions ¹⁰	2 181
	Unemployed	1 848
	Students	2 327
Various	Retired	828
	Others	12 937

Source: HCP 2011

¹⁰ A liberal profession refers to all professional activities performed by a single person and independently, without control of a hierarchy. It is therefore distinct from an employee who is subject to an employer. The professions of the liberal field concern the intellectual and conceptual services for the public and not the commercial or industrial activities.



Source: Study of the associative sector of the Kingdom. Ministry of the Interior (latest available statistics)

The number of associations has evolved significantly over the years corresponding to the implementation of INDH, bringing their number to more than 130,000 in 2015¹¹. This figure is estimated in 2019 at more than 150,000 associations that are active; however, it is difficult to know how many have ceased their activity during the same period.

Mutuals

Morocco's mutuals are dominated by public sector employees¹². They comprise approximately 50 institutions, half of which work in the healthcare coverage sector. With the public sector, there exist in Morocco some active mutuals (Mutual of medical assistance of the tobacco company; Mutual of foresight and social action of the royal air Morocco; Mutual of the Office operating the ports, etc.). The private sector also has mutuals,

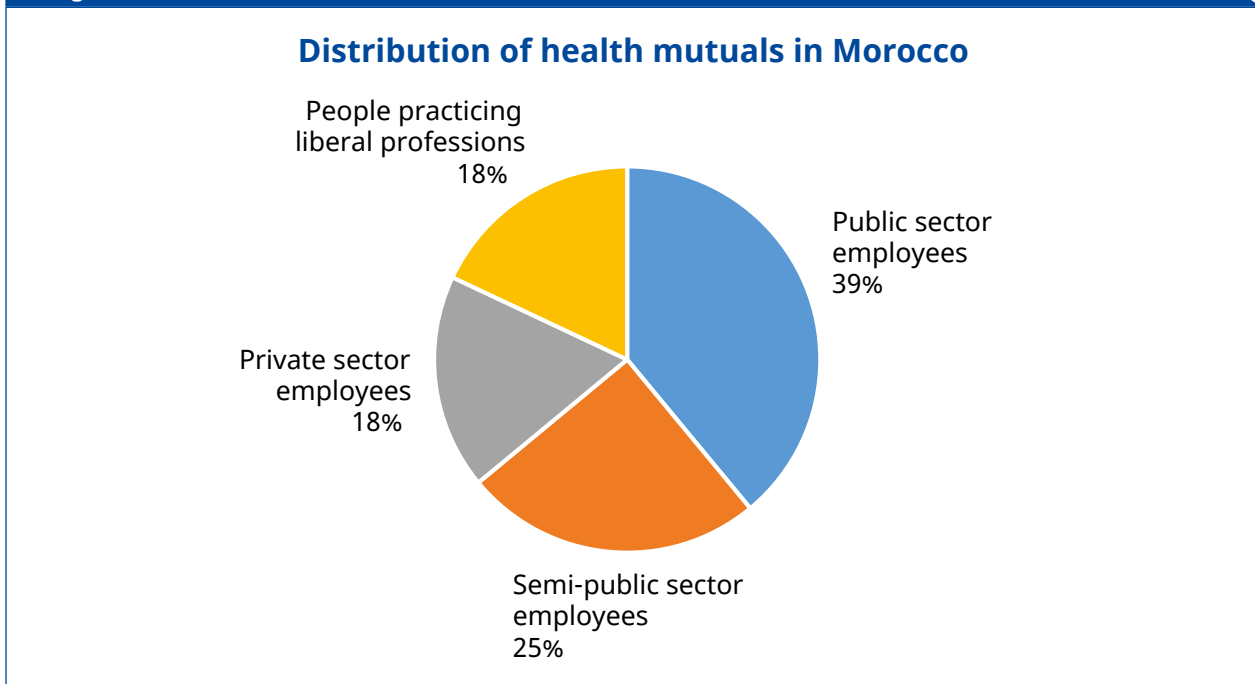
such as the Moroccan Mutual Fund (CMIM) and the Mutual Fund of the Popular Banks. Adding to these mutuals, others linked to the liberal professions were found, such as the national mutual of the artists or the mutual of the Moroccans residing abroad.

Moreover, among the 50 or so Moroccan mutuals, 43% are mutual guarantee companies operating in the craft sector (11 mutuals regrouping 8,840 craftsmen), transport (six with 8,979 transport car operators), fishing (three with 675 fishermen) and the SME (two with 517 traders and young promoters), according to the census conducted by the Ministry Delegate to the Head of Government handling Economic and General Affairs (2011). Finally, the Moroccan mutual insurance sector, which provides complementary medical coverage, comprises 28 mutual insurance companies (Acaps, 2020).

¹¹ According to the report of the Economic, Social and Environmental Council (2016)

¹² Moroccan mutuals are as follows: 11 created by public sector staff; seven created by the staff of certain public establishments; five created in the private sector; five created by some self-employed workers and other categories; one Union (the CNOPS) comprising seven mutuals of the public sector and one of the semi-public sector.

► Figure 6. Distribution of health mutuels in Morocco (2021)



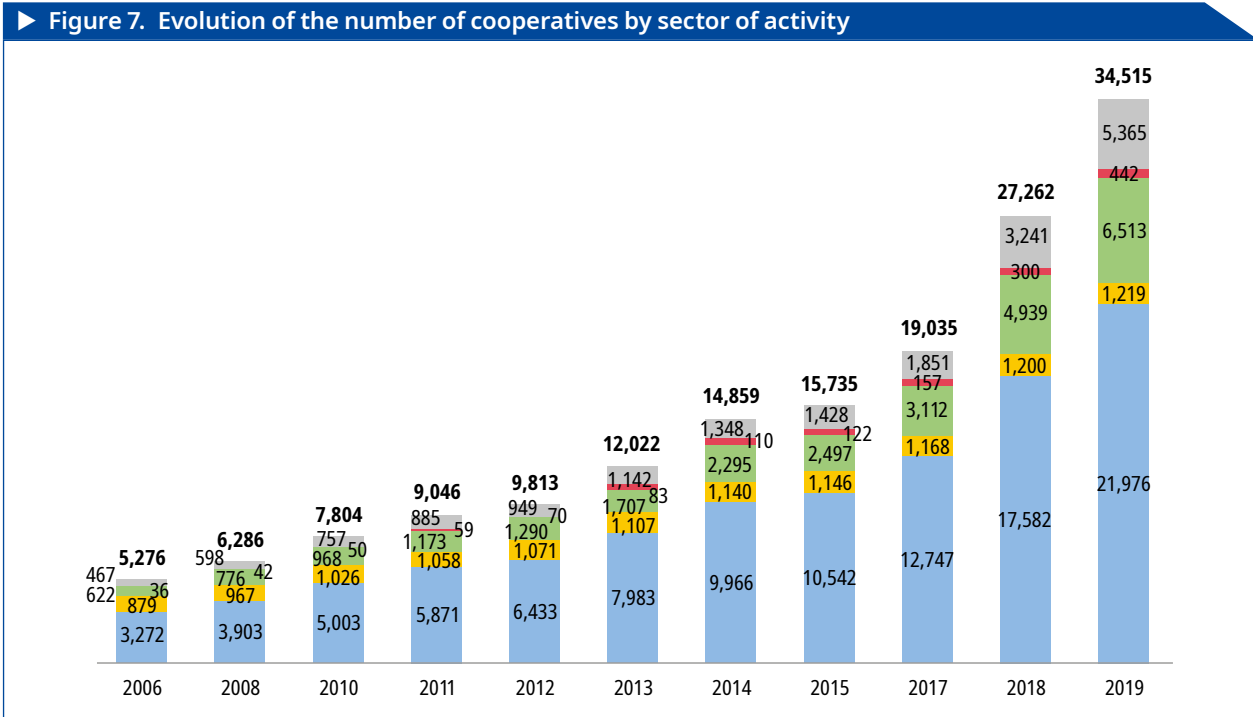
Source: Insurance and Social Security Supervisory Authority ACAPS (2021)

Cooperatives

Cooperatives are one of the fundamental pillars of the SSE in Morocco, in terms of both the number of organisations and the number of beneficiaries of their activities. Cooperatives operate in various sectors of activity and actively participate in the work integration of people in precarious or vulnerable situations. The creation of INDH has positively stimulated the creation of cooperatives throughout Morocco. In fact, the number of cooperatives tripled from 2006 to 2017, rising from 5,276 to more

than 19,035, according to figures collected by the ODCo. These constantly increasing figures reflect ‘the place these entities occupy, which allows them to positively characterise the SSE in Morocco as a business model contributing to the socioeconomic development of the country’ (Laabid, 2016, p. 67)¹³. The predominant sector in the Moroccan cooperative field is unquestionably agriculture; 62% of cooperatives registered in 2006 were agricultural, for a total of 3, 272 organisations. This figure has almost quadrupled by the end of 2017 to reach 12,747 cooperatives, corresponding to 67% of all registered cooperatives. The following graph traces the evolution of the various sectors of cooperative activities in Morocco.

¹³ Laabid Abdelouahed. 2016. ‘L’insertion socioprofessionnelle des jeunes par les coopératives.’ *Revue Marocaine des coopératives*. pp. 59–67.



Source: Author's elaboration from the ODCo data

Moroccan cooperatives are largely dominated by the craft and agricultural sectors, making them vulnerable to the seasonality of these sectors and the external hazards that can affect them, and are thus in need of adequate support. Housing cooperatives also account for a significant portion of the total, partly due to public incentives: the shares of housing cooperatives are exempted from all taxes, including VAT, provided that their area does not exceed 240 metres square for each cooperator. The fourth largest sector is literacy cooperatives, which are involved in establishing public literacy programmes, including national literacy campaigns and literacy classes in rural areas.

The figures presented here, although approximate because of the lack of reliable and regularly

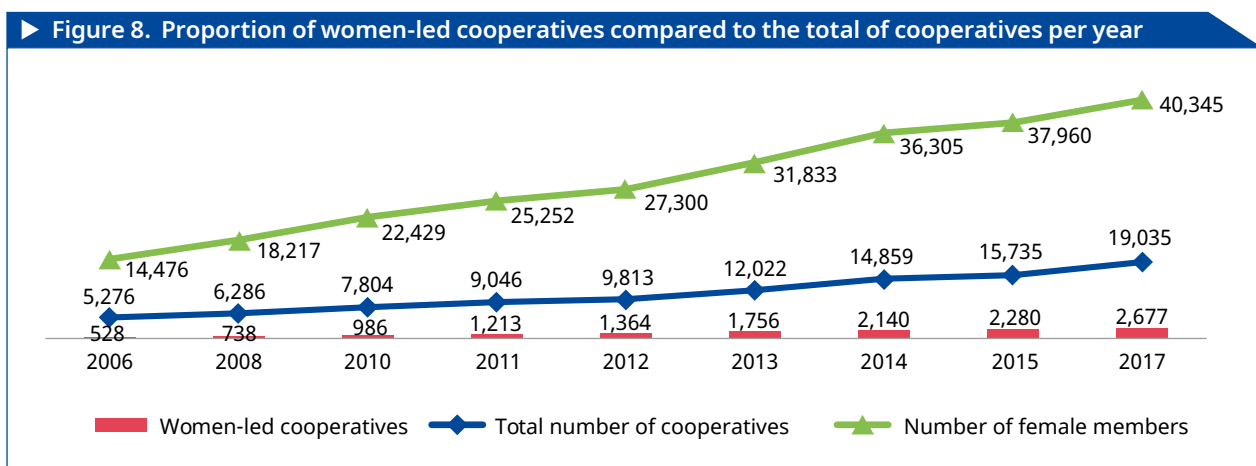
updated statistics, prove that the SSE in Morocco is experiencing an upward trend with an increasingly important impact, especially in the most isolated regions of the kingdom. Indeed, the SSE helps to reduce unemployment, which is one of the most pressing problems affecting the most vulnerable groups of the Moroccan population. Among young graduates, for example, the SSE is a serious alternative to the 'conventional economy', which is struggling to recruit them. Indeed, this specific category could have a particular interest in cooperatives, which could be a potential source of employment, either through a salaried job or a membership. The census and monitoring of this segment is extremely difficult since their number is already diluted in the total number of cooperatives, as stated in many of the interviews conducted for this research.

According to the figures communicated by the ODCo at the end of 2019, of the 27,262 registered cooperatives, only nine work in the e-commerce sector¹⁴, 24 in the field of art and culture and 155 in tourism. The proportion of young graduates in the social economy follows the same trend; furthermore, the monitoring of this category is complex, as explained by the office that oversees the cooperative movement in Morocco, thereby necessitating the need for dedicated observatories, especially for the post-covid period.

The problem of work integration also concerns women, especially in rural landlocked areas. Cooperatives respond to this problem and aim through their activities to emancipate women in precarious situations. Indeed, women's cooperatives are fairly present and register a constant increase in their membership. Grouping into women's cooperatives is imposed by a cultural or even a religious background (the separation between women and men in workplaces is widespread, especially in rural areas).

Thus, notably, more than 16% of Moroccan cooperatives are exclusively women-led, and more women members can be found within the other mixed cooperatives. This data stresses the SSE importance in reducing women's unemployment and increasing emancipation. Women's cooperatives accounted for approximately € 1,612,517.90 in capital at the end of 2017, according to figures provided by the ODCo.

At the end of June 2020, the number of women's cooperatives reached 5,794 units, mobilising more than 60,119 members. These cooperatives operate largely in crafts (2,662 cooperatives) and agriculture (1,744 cooperatives). There are also 552 women's cooperatives in the field of Argan oil, 133 medicinal and aromatic plant cooperatives, 66 in literacy and 22 in tourism.



Source: Author's elaboration from the ODCo data

¹⁴ This issue has proven to be important in times of pandemic crisis. This is the purpose of the AKID 2030 – Covid19 program, a UNDP Morocco initiative that aims to promote digitalisation in several structures, including cooperatives.

1.2.2. Key obstacles preventing SSE development

Although it is in constant development, the SSE suffers from the lack of a conducive environment and from several problems that can be identified at all stages of the lives of these organisations.

First, the lack of general public awareness of SSE organisations regarding types, rights and obligations hinders their ability to develop. The low levels of education (and illiteracy in particular), coupled with the lack of managerial skills, induce a lack of innovation and creativity despite the numerous beneficiaries' funding programmes targeting the SSE: the projects tend to be similar to each other, replicating the same business models, which tends to dampen the growth prospects of the organisation. To this problem is added the weak competence in the setting up and development of the projects from the elaboration of the business plans until the choice of the objectives and the monitoring of the various indicators of success. Another issue is the fact that equipment and means of production are sometimes inadequate or obsolete or inaccessible for the small budgets of SSE organisations. Indeed, more than eight out of 10 associations report suffering from a lack of essential equipment (HCP, 2011). This also results in unfavourable working conditions: few associations own a head office and premises with the necessary equipment to perform their tasks in good conditions.

Another worrisome issue in the SSE field in Morocco concerns the durability of the organisations. This issue is due to often ineffective accompaniment, a lack of knowledge of administrative procedures, product development, sales and marketing. Finally, one of the major problems of the SSE in Morocco is related to the difficulty in accessing funding through financing mechanisms that are in line with the specificities of this sector. The

dependence on the funding received is also a serious challenge for both grant-type and micro-credit financing.

Finally, the lack of a unified legal framework for the SSE is one of the main obstacles to the development of the sector in Morocco. In this sense, a grant agreement of 1.5 million euros intended to strengthen this framework was signed (April 1, 2021) between the Ministry overseeing the SSE and the French Development Agency in Morocco.

Despite the considerable efforts of coordination and consultation within the SSE strategy framework for 2020 deployed by the state, its results remain below the desired objectives, especially for participation in job creation and contribution to the national economy. Responding to these obstacles, Morocco has embarked on a new national SSE strategy for the period 2018–2028, adopting a new approach focusing on 'national opportunities and the expertise of international and African partnerships' (according to the ministry overseeing the SSE).

1.2.3. Innovation and Moroccan SSE

Innovation and social value creation are related in the SSE, whether for commercial purposes (cooperatives with commercial activities) or purely social ones. Indeed, innovation affects the pursuit of opportunities to catalyse social change. Today, several studies have examined social innovation, considered by many authors as a success factor of social enterprises (Martin & Osberg, 2007). They shared the idea that the SSE is centred on the starting up of new ventures and on finding new and more effective ways of creating social value. This interest in innovation occurs because several social needs resist conventional approaches that could not solve them sustainably.

Innovation is a matter of maturity in a social context. Indeed, the mapping of the SSE sectors and an overview of the Moroccan economy support this thesis. For SSE organisations in Morocco, such as cooperatives and associations, issues of survival and sustainability are priorities. Most cooperatives are not innovative in Morocco since most of their fields of activity rely more on low-skilled manual labour.

However, there is growing awareness of the need for innovation as a social performance tool. Indeed, there are several programmes to encourage this trend, such as the reward system introduced by the Mohammed VI Centre for supporting solidarity microfinance with their innovation prize¹⁵. The ecosystem surrounding this initiative is also innovative in that it integrates several multidisciplinary operators with complementary skills. Indeed, the centre is subsidised by institutional actors, such as the Hassan 2 Foundation for economic and social development, the INDH under a framework agreement signed between the Government and the national federation of the associations of microcredit, the Millennium Challenge Account (MCA), which gives a large share of the structural support to the microcredit sector, and the Office of Vocational Training and Promotion of Work (OFPPT), among others.

Other funds and initiatives such as Seaf Morocco Growth¹⁶ and Innov Invest Fund¹⁷ reflect the growing recognition of the role of innovation in the success of SSE organisations in Morocco.

1.3. Main actors and stakeholders in the SSE ecosystem

In the Moroccan SSE landscape, there is a fairly large number of stakeholders that can be divided into four groups: bodies with a wide-scale impact benefiting from significant institutional support, social security organisations, organisations supporting the SSE and emerging SSE networks. The first group includes institutions that support SSE organisations independently of their sector of activity. Although their impact on the SSE is sometimes indirect, the role of these institutions is significant regarding both the allocated budgets and institutional support. The second group includes organisations rooted in the social sector of Morocco for historical reasons and helps provide social security to many SSE beneficiaries. The third group includes state agencies that help SSE organisations in specific sectors (microfinance, agriculture, cooperatives, etc.) and complement the wide-scale bodies that have indirect multi-sectoral impacts. Finally, emerging independent networks serve SSE organisations that are not considered by the state, aiming to fill some gaps that the SSE sector in Morocco suffers from.

The main actors in each of the four groups are presented below.

¹⁵ It is an annual prize awarded to a microenterprise or cooperative financed by microcredit based on its degree of innovation.

¹⁶ The SEAF Morocco Growth Fund (SMGF) investors comprise Caisse Centrale de Garantie, BMCE Bank of Africa, Wise Venture Capital (USAID), the SEAF group, Caisse Marocaine des Retraites and Asmainvest. SMGF is part of the Innov Invest programme managed by the Moroccan Caisse Centrale de Garantie to promote entrepreneurship and inclusive economic growth in Morocco.

¹⁷ Launched by the Caisse Centrale de Garantie (CCG), Seed and innovation financing mechanism includes, among other things, a support component for the entrepreneurial ecosystem in Morocco. Support takes the form of 'Innov Start' grants and (honorary loans) in favour of promoters of innovative projects.

1.3.1. *Wide-scale impact organisms*

The Mohammed V Foundation for Solidarity

The Mohammed V Foundation for Solidarity was created by His Majesty King Mohammed 6 in 1999. It was recognised as a public utility on July 5, 1999. The actions conducted by the foundation are focused on three areas: humanitarian aid for populations in a precarious situation, sustainable development and support to associations. The humanitarian component includes food support during natural disasters, the distribution of meals during the month of Ramadan and the reception of Moroccans living abroad. The assistance component for populations in precarious situations includes the construction of childcare and elderly homes (more than 622 social centres for the benefit of children, disabled people, women, girls and young people at the end of 2011), health centres and hospital equipment (equipment of 51 regional or provincial hospitals from its creation until the end of 2011). The sustainable development component involves literacy, the improvement of basic infrastructure, and the creation of resource-generating activities (141 projects and programmes for sustainable development since the creation at the end of 2011). Finally, the Mohammed V Foundation presents a programme of support for associations and cooperatives. These measures are further supported by initiatives that encourage women to establish cooperatives and help them market their products. A breakthrough was achieved with the creation of the Solidarity Market, a fair-trade platform created by the Foundation in 2017 and dedicated to selling cooperative products directly.

The foundation is appealing for annual donations to support some of its programmes. The 2019 call for donations, for example, raised € 54,09 million, according to the foundation's 2019 activity report.

Mohammed VI Centre for Support to Solidarity Microfinance

Among the various actions executed by the Mohammed V Foundation is support for microcredit via the Mohammed VI centre for support to solidarity microfinance. This centre aims to democratise the granting of microcredit to reduce exclusion and poverty. The Mohammed V centre supports the marketing of microcredit beneficiaries' products, establishes an information and documentation system as well as an observatory and trains officials working in microcredit associations (AMC). The centre performs several activities. It allows SSE actors (mainly cooperators) to develop their managerial skills and professional qualifications necessary for better marketing of their products through dedicated training. It also aims to provide beneficiaries with logistical means that enable them to publicise their products. The centre is intended to be the interface of the beneficiaries with the solidarity trade networks. Finally, the centre organises trade fairs and exhibitions in different regions of Morocco. The centre works with several collaborators nationally (including the different institutions of microcredit and ANAPEC, the national agency for promoting jobs and skills) and abroad (including with ACIM the Citi Foundation and the Entrepreneurship Agency of the Mediterranean).

Hassan II Fund

Created in 2000, the Hassan II Fund for Economic and Social Development promotes investment and employment. The Fund focuses on the development and upgrading of industrial sites and the promotion of investment in some sectors with high employment potential, such as textiles, leather processing, etc. The Hassan II Fund is also involved in other areas through subsidies. With the advent of the Green Morocco

Plan, the Hassan II Fund played an important social role by financing more than 600 social projects benefiting farmers and agricultural cooperatives in isolated rural areas.

INDH

The INDH is the most important social project in Morocco, based on its budget, the number of stakeholders involved and the special interest it enjoys. This project was launched following royal directives in response to social problems in both urban and rural areas. Since its creation, the INDH has been governed by the Ministry of the Interior, which has a division dedicated to it (divisions of social action) within each prefecture or province of the kingdom. This presence throughout the national territory contributes to the customisation of diagnostics and actions by considering the specificities of each region that make them more relevant.

The INDH case will be extensively addressed in the second part of this paper.

The Special Commission on the Development Model (CSMD)

This Commission, established in December 2019, is consultative in nature. Following the royal guidelines, the commission should proceed with frankness and objectivity to an inventory of the Kingdom's achievements, the reforms undertaken, considering the expectations of citizens, the international context and its prospects for development. The Commission must submit to the High Appreciation of His Majesty, the King, a report containing the major desirable changes and concrete initiatives to adapt the development model and allow global and inclusive growth, placing the citizen at the heart of the process. According to a press conference to present the progress of its work (2020), the CSMD revealed that Moroccans are

very concerned about education, employment and social security coverage, hoping for equity and equality of opportunity as a basis for development.

1.3.2. Social Security Organisations

National Mutual Aid

National mutual aid was the first social measure of independent Morocco. It started in 1957 with the status of a private institution of a social nature (dahir n° 1-57-099 of April 27, 1957). This statute was revised in 1972 to a public financial institution with a civil personality (Decree No. 2-71-625 of 28 February 1972). National mutual assistance is now supervised by the Ministry of Solidarity, Women, Family and Social Development. Its main mission is to meet the needs of the poor in the short, medium and long terms.

This institution aims to support the creation of entities whose purpose is to facilitate access to work and social integration for the most vulnerable groups (disabled, orphans, etc.). Hence, the intervention of the national mutual assistance rests on three axes: social integration, social assistance and social animation. Social integration includes the implementation of kindergartens, literacy spaces and social welfare institutions to support schooling and vocational training centres alongside education and training centres.

Social assistance covers social welfare institutions for people with disabilities or in difficult circumstances, cooperatives and associations for the disabled, centres for disabled people and multifunctional centres. Finally, social animation also involves listening and orientation. To execute its missions, national mutual aid depends on several sources of funding, such as state and local government subsidies, parafiscal taxes introduced for its benefit, donations and

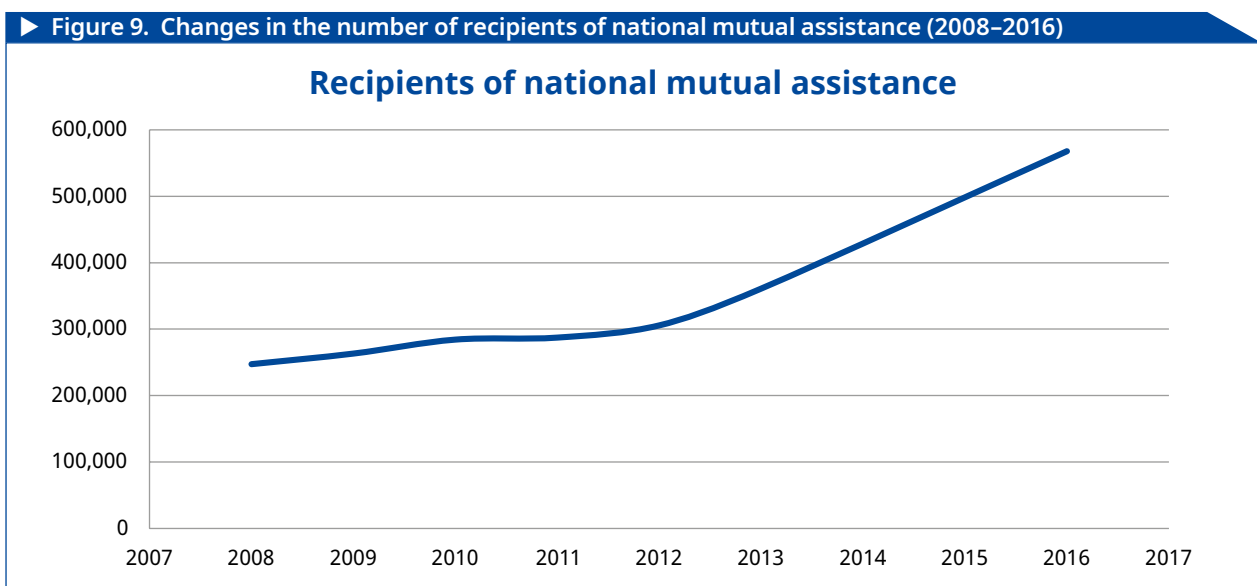
legacies, alongside the revenues collected from its centres (sale of items manufactured by the centres and contributions of the beneficiaries), etc. Its financial autonomy enables national mutual aid to be flexible in its interventions while controlling the private assistance and charity organisations it subsidises. Thus, the number of its beneficiaries is continuously increasing, as the following figure shows.

The National Promotion Institution

The National Promotion Institution is a part of the first generation of social tools established by the Moroccan state to 'coordinate and implement the realisation of full employment of rural populations to promote the development of the national territory' (Dahir of July 15, 1961; Article 1).

Launched in July 1961, it was first named rural promotion. The main purpose of this institution was to re-establish social order for disadvantaged rural populations after independence. The national

promotion aimed at reducing unemployment, particularly in rural areas, to tackle the problems of rural exodus, whose adverse effects are numerous. According to Blair's (1963) record of three years of national promotion, this institution had employed more than 32 million working days¹⁸ since its launch in July 1961 until 31 December 1963. Thus, according to the same author (p. 161), national promotion had economic, financial, technical and social effects on postcolonial Morocco. The economic effects were due to the introduction and encouragement of new sectors that were still neglected at the time because the economy was based primarily on agriculture. Financial effects were linked to the distribution of wages in kind and minimal salaries that did not weigh much on the state budget. Moreover, the national promotion did not require the establishment of an independent entity, such as a government department. Today, national promotion is attached to the Ministry of the Interior and is responsible for developing and implementing government policies in its field.



Source: 2016 Statistical Yearbook Report, National Mutual Aid in Figures

¹⁸ A working day amounted to € 0.23 plus € 0.19 in kind, including non-salary expenses. The employment of a national promotion worker for 200 days then returned to the state at € 46.42 (Blair, 1963).

To this end, it '[...] adopts an annual provisional program taking into account the proposals submitted to it by the various administrations and bodies concerned and ensure the execution of the approved programs'¹⁹. National promotion helps to reduce urban and rural unemployment by recruiting people for cleaning, guarding and even performing administrative tasks.

1.3.3. Support bodies for the SSE

The Social Development Agency (ADS)

The ADS was created in 2001 to participate in social development and to help reduce unemployment in Morocco. This agency has become a major player in the Moroccan SSE landscape through its synergistic actions with the main bodies of the country. These actions are grouped into three components: the first component is the capacity building of local actors through the promotion of associations and local communities ('Irtikae programme'). The second component is social integration through the economy with the promotion of local ecosystems ('Tatmine programme'); aid to cooperatives ('Mouwakaba programme'); the promotion of entrepreneurship ('Moubadara Programme') for creating small enterprises. Finally, the third component focuses on Local Support to National Social Programmes (ALPS) through participation in various national social projects targeting the most vulnerable populations. With its experience, particularly in the financing of income generating activities, the agency was one of the key players in the INDH implementation.

The Office of Development and Cooperation (ODCo)

The BDECo (Bureau du Développement de la Coopération) was created in 1962 as an administrative structure dependent on the Presidency of the Council of Government. As public authorities began prioritising the cooperative sector, BDECo required restructuring. Thus, the office was converted into a public agency enjoying legal personality and financial autonomy under the name of the Office of Development and Cooperation (ODCo), following the law (*Dahir*) of August 3, 1975. The ODCo is managed by an administrative council comprising representatives of ministerial departments, public institutions, banks and cooperatives and is chaired by the Minister of Crafts and Social and Solidarity Economy. Its activities are mainly geared towards supporting cooperatives in the areas of training, information and legal support.

With the ratification of the long-awaited 12-112 Cooperatives Act, the ODCo was charged with maintaining a central register of cooperatives. Moreover, the office is in charge of accompanying and advising cooperatives and their unions in the areas of training, information and legal assistance.

The ODCo is also in charge of financing extension and training campaigns for the benefit of the cooperators; helping the realisation of social works for the benefit of the cooperators; ensuring that cooperatives and their unions are managed according to the legislation in force; collecting and disseminating the documentation on cooperation; and finally studying and proposing any legislative or regulatory reforms and any measures with special characteristics that concern the creation and development of cooperatives.

¹⁹ Article 21 of Decree No. 2-97-176 of December 15th, 1997 on the powers and organisation of the Ministry of the Interior.



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National Federation of Microcredit Associations (FNAM)

Microcredit as a branch of the voluntary sector is represented by the FNAM, which groups 13 associations. FNAM was created in 2001 with the main objective of contributing to poverty reduction in Morocco and the achievement of human development objectives. It executes several actions, the most important relating to establishing the rules of ethics regarding microcredit activity and their proposal for approval to the Minister of Finance. This federation ensures the application, by its members, of the provisions of the law on microcredit alongside the rules of ethics and takes legal action for violation. The federation also proposes to the Ministry of Finance the actions that can promote the development of

microcredit and act as an intermediary between its members and the administration. Through its actions, FNAM works on improving the capacity of microcredit associations (training, consulting, information, exchanges and representation with third parties), particularly to extend microcredit coverage to the whole territory while encouraging the creation of a regulatory and legal environment favouring microcredit activities.

Finally, this federation has other objectives, such as facilitating access to financing mechanisms for microcredit associations to consolidate their financial position. Today, FNAM has 13 microcredit associations and employs more than 7,644 people, according to the General Confederation of Moroccan Enterprises (CGEM). The trend that emerges within this federation is

the involvement of banks in this type of activity, with the creation of associations dependent on their banking systems: the *Ardi* Association by the Agricultural Credit of Maroc (bank institution) and the *Attaoufiq* Association by the popular central bank that absorbed the former microcredit association *Zakoura*. This situation confirms the upward trend of the SSE in Morocco and the growing interest in this sector.

Agency for Agricultural Development

The Agency for Agricultural Development's mission is to participate in implementing the government's agricultural development strategy. In particular, the Agency is responsible for proposing to the government authorities the action plans for supporting high value-added agricultural sectors for improving productivity through:

- ▶ Research and mobilisation of land for extending agricultural perimeters and developing crops with high-added value.
- ▶ Encouraging the valorisation of agricultural products by implementing new irrigation systems, farm equipment, packaging and marketing.
- ▶ Promoting agricultural investments and implementing partnerships with investors.

The Agency is also responsible for proposing action plans to support solidarity-based agriculture to government authorities by promoting and implementing economically viable projects to improve farmers' incomes. Among its attributions, the Agency is also responsible for facilitating the implementation of Pillar II of the Green Morocco Plan that envisages the achievement, by 2020, of 545 social projects in favour of 855,000 farmers for an investment of MAD 20 billion. In this logic, the Agency supports the creation of cooperatives and agricultural associations in order to have unique representatives of the beneficiaries of this project.

These 'pillar II' projects will be supported both by the Moroccan financial sector (banks, microcredit companies) and by international donors in the framework of long-term partnerships.

Other supporting organisations

Other stakeholders are actively involved in the SSE in Morocco, particularly international organisations and NGOs. Among these organisations are the British Council, Enactus and the United Nations Development Programme (UNDP), which aims to eradicate poverty in Morocco with structural transformations and build resilience according to its website. Other initiatives are dedicated to other components, such as social or traditional entrepreneurship. Hence, the Moroccan Centre for Innovation and Social Entrepreneurship (MCISE) – a non-profit organisation – is dedicated to finding entrepreneurial and innovative solutions to social challenges in Morocco.

Incubators also exist such as Social Green Tech, formed by a partnership between Comptoir de l'Innovation and the Drosos Foundation. The project targets new social entrepreneurs in the seed phase. As its name suggests, only technologically innovative projects with a strong social and ecological impact are eligible for incubation (connections, collaborative workspace, mentoring).

1.3.4. Emerging networks

The Moroccan Network of SSE (REMESS)

REMESS is the first Moroccan network open to the different components of the social economy: cooperatives, associations, mutual societies, foundations, economic interest groups and professional unions. It is one of the public spaces where one can have a free debate on the issues of social and societal

responsibilities in development projects. REMESS was created on February 25, 2006, by 24 associations active in the SSE field. The creation of the network originated from meetings with the Intercontinental Network for the Promotion of SSE (RIPESS) during the World Social Forum held in Porto Alegre in 2005. It was reinforced by the meeting of Dakar in 2005 on the SSE and with the support of Oxfam Quebec.

The network focuses on several missions. It aims to develop fair trade alongside solidarity finance and sustainable tourism. The REMESS network also supports member organisations by upgrading them, ensuring coordination among their members and encouraging scientific research and training in the SSE. This network includes organisations belonging to the SSE sector (full members: associations, unions or federations of cooperatives, groups, national and international non-governmental organisations, etc.) and individuals with a profile that matches the needs of the network in terms of support, accompaniment, expertise, etc.

CSM²⁰ Morocco

CSM is a non-profit NGO created in 1963. CSM is a member of UMAC, Moroccan union of work camps association, Associations Space, UMAV, Maghreb Union of Volunteering Action, CYE, International Cultural Youth Exchange and the Anna Lindh Foundation. CSM Morocco works towards an inclusive society rich with volunteering culture and citizenship spirit, using voluntary work to promote peace and inclusion and eliminating prejudices, raising awareness of the importance of volunteering and the need for its recognition and strengthening the capacity of the population to contribute to society's sustainable development.

1.4. The SSE and policy framework

1.4.1. Fiscal measures for the SSE

The special attention that the SSE enjoys from Moroccan public authorities is evidenced by special tax measures and a set of incentives that are not granted to conventional enterprises. Until 2005, a tax exemption benefited all cooperatives according to Articles 87 and 88 of Law n° 24-83. Since then, a revision of the finance law stopped this general exemption, imposing corporate tax and value-added tax on all cooperatives that process products from their members and whose turnover exceeds 5 million dirhams (0.46€M). This threshold was revised upwards to 10 million dirhams (0.92€M) by the 2013 budget law. Today, cooperatives and their legally constituted unions are subject to corporate tax under common law conditions, with the exceptions provided by Article 6 (IA-9°) of the General Tax Code (GTC). This article (6-IA-9°) concerns cooperatives and their legally constituted unions whose statutes, functioning and operations are recognised as being in conformity with the legislation and regulations in force governing the category to which they belong. This exemption is made according to the conditions mentioned in Article 7 of the GTC, which stipulates that this situation is granted when the activities of the cooperative are limited to the collection of raw materials from the members and their marketing. The exemption is also offered when their annual turnover is below 0.92 million € (10,000,000 Moroccan Dirham), excluding value-added tax, if they execute a raw material processing activity collected from their members or from inputs using equipment, materials and other means of production similar to those used by industrial enterprises subject to corporation tax and marketing of processed products. As far

²⁰ Chantiers Sociaux Marocains



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as associations are concerned, only non-profit organisations and assimilated organisations are exempted from paying corporate taxes for operations that follow the purpose defined in their statutes. This exemption does not apply to sales or service establishments belonging to the above-mentioned organisations and associations. Other tax benefits are granted only to associations recognised as being of public utility. For example, among the tax-deductible expenses are donations of money or in kind to public-interest associations that work for charitable, scientific, cultural, and literary, sports, educational and health purposes.

1.4.2. Regulation for promoting SSE in Morocco

Among the other important measures concerning the SSE, the 12.112²¹ Act on cooperatives has been enacted for regulating this sector. Indeed, the promulgation of this law was eagerly awaited by all the stakeholders working in the SSE ecosystem, particularly those who work with cooperatives. The law includes several measures, the most important of which concerns the simplification of procedures for creating cooperatives and their unions while removing the approvals that make this task difficult.

The law also provides for the registration and documentation of cooperatives at the local and national levels, which facilitates the

²¹ Official Bulletin, 2018-08-02, n° 6696, pp. 1486–1500

collection of statistical data (even if access to this data remains a challenging task), but this, overall, opens the possibility for cooperatives to tender for public contracts. The law also gives legal entities the possibility of joining the cooperatives, which will have an impact on increasing the scope of their actions and adding another funding mechanism to those already existing. The 12.112 Act also reduced the minimum number of members in cooperatives from seven people to five. The ODCo plays an important role in the framework of this act by supporting cooperatives and their unions in the fields of training, information and legal assistance. Other measures contained in the 12.112 Act include the collection and dissemination of cooperative documentation alongside studies to propose legislative or regulatory reforms or any measures that relate to the facilitation and development of the SSE sector.

With this new law, cooperatives have a legal mechanism that is both suitable and easy. The first step is to validate the name of the cooperative. This validation procedure is initiated by ODCo departments and delegations and does not exceed 48 hours. It is crowned by granting a document equivalent to the negative certificate granted to companies. Once this step is completed, the document for creating the cooperative is filed with the local authority that grants the interested party a receipt, followed by registration in the local register domiciled at the level of the courts of the first instance.

Moreover, the ministry overseeing the SSE was compelled to review its national SSE strategy 2010–2020 and to launch a study for developing a new SSE strategy (2018–2028) and an action plan for the next ten years in order to produce guidelines, proposals and recommendations for real change.



2. Financial mechanisms: The case of Morocco



2.1. Overview of the main financial mechanisms

One of the structural weaknesses of the SSE sector in Morocco is the dearth and lack of diversity of its financing. Indeed, the means of financing available for this sector are limited to the contributions of own funds, love money, state interventions as grants and traditional financing mechanisms, such as microcredit or bank credit for fairly structured organisations that can meet lending requirements. The main mechanisms are summarised in Table 3 and briefly presented below.

2.1.1. Social base

Personal contributions and the mobilisation of capital from the family and friendly circle are among the most recurrent means of financing. Indeed, most of the other available financing options do not cover 100% of the investment amount. Thus, a contribution in own funds remains necessary, which is perceived as a guarantee of involvement for the SSE organisation members.

However, in the Moroccan context, especially in the most isolated rural areas, the presentation of 10% to 30% of the total amount of funding using equity excludes the neediest, thereby inducing low economic viability and a limited social impact, as explained by a European study in 2011²². Faced with this situation, SSE organisations (mostly cooperatives) sometimes resort to an old financing practice still current in Morocco, the *Tontine*. The Moroccan *Tontine* 'Daret' literally means a rotation of money. This rotation is done after a consensus between several people bringing an amount of money at the beginning of each period (fortnight or month); the total amount is thus granted to one

of these people in turn until the loop is closed. This funding is very risky as it is based on a simple informal moral contract. However, this ancestral funding system allows cooperators who cannot guarantee their solvency with a conventional financing institution to benefit from funds, the repayment of which will be spread over all the cycles of the tontine and without an interest rate. Love money (friends and relatives) is also widely used in creating and developing SSE organisations in Morocco, adding to own funds and membership fees.

2.1.2. Finance

This category includes all sources external to SSE organisations. It incorporates granted funds or reimbursable financing.

One of the sources of finance is the State, which intervenes at various levels to counteract the lack of funding for the SSE, including through subsidies. The Moroccan State finances the creation of income-generating activities through National Mutual Aid. These income-generating activities include any activity based on the production of products or services to provide income to the recipient. These activities are part of the SSE and are executed within the framework of individual initiatives or collective organisations (cooperatives, associations). As part of its programme to encourage professional integration and income-generating activities, the National Mutual Aid has signed a tripartite agreement (on March 30, 2015) with the Ministry of Solidarity, Women, Family and Social Development and the Ministry of Economy and Finance. This component, supported by national mutual assistance, is aimed at financing the creation of income-generating activities executed by persons with disabilities enrolled in the RAMED (medical assistance scheme) over

²² Etude sur la dynamisation du tissu économique en milieu rural – Union européenne 2011.

the age of 18 years. This programme aims to integrate people with disabilities by creating income-generating activities to improve their standard of living. This grant is in the order of 60,000dh maximum for each person with a disability with a limit of 200,000dh for collective projects.

In this same context, the social development agency launched a programme under the name *'Maroc Moubadarates'* that aims at creating platforms of associations with public and private actors from the targeted territories (generally disadvantaged, landlocked areas or places suffering from pressing social needs). These platforms aim to establish a financial and non-financial support mechanism for small businesses and an orientation and information space for project promoters. This proposed financing is in the form of repayable, interest-free loans, with amounts up to a maximum of 80,000 Dirham repayable over 36 months. Adding to this funding, the programme also offers support from the idea to the validation of the business plan by an accreditation committee comprising mainly experienced professionals.

Working in close collaboration with the social development agency, the main grant fund for the SSE in Morocco is the INDH. Through financial support for income-generating activities, the INDH aims to foster the participation of poor and vulnerable populations in the labour market while contributing to the promotion of their products, such as terroir products.

Thus, the INDH includes, among its eligible funding recipients, cooperatives, associations of direct beneficiaries and intermediary associations whose responsibilities and levels of intervention must be clearly defined in the

project contract (provided that the benefits generated by the project return to the direct beneficiaries). Partnerships are also eligible for this funding when they come from the targeted population of the INDH. Finally, economic interest groups can also benefit from INDH funding.

Adding to these mechanisms, microfinance, which is represented by the FNAM (which brings together 13 associations), occupies an important place in financing the SSE. The microcredit organisations released 99,060 loans in February 2020²³, an increase of 4.23% compared to February 2019 (95,043). In total, loans for 2020 up to February amounted to 1.239 Billion Dirhams, which corresponds to a cumulative amount of 7.534 Billion Dirhams. The 30-day risk-bearing portfolio of 2.97% classifies this financing as having a low risk.

Some private financial institutions are adapting their funding offers to better serve the needs of SSE organisations. This is the case for the agricultural credit group of Morocco, which, in partnership with the State, created the financing company for agricultural development *'Tamwil el Fellah'* (literally, the financing of the farmer). The purpose of this funding body is to support farmers without access to conventional bank financing (in the framework of the *'Maroc Vert'* plan). *Tamwil el Fellah* offers credits granted individually or as part of an organisation (cooperative for example). The ceiling for financing is limited to 100,000 Dirham per farm – 80,000 Dirham directed towards investment loans and 20,000 Dirham to operating credits. This funding can reach 100% of the cost of the project, considering subsidies granted by the State and according to data specific to each farm or producer group.

²³ Cumulative loans released for the year 2020 until February 2020 (source: Mohamed 6 center for solidarity microfinance support).

The credit duration can be up to 12 years, with the possibility of a grace period of 5 years. For achievements, Tamwil el Fellah has recorded an increase in its sales performance through a 10% growth in its customer base, which reaches nearly 70,000 customers, and a 17% increase in the production of loans that corresponds to 755 million dirhams, according to the group’s activity report as of December 31, 2016.

2.1.3. Other mechanisms

In addition to grants, other aids are offered to help SSE organisations access financing. These aids concern guarantees such as the ‘Mouwakaba’ fund of the Central Guarantee Fund (CCG). The purpose of this fund is to guarantee the ‘honour loans’ granted by the associations to project holders. The guarantee ‘Mouwakaba’ must not exceed 70% of the 0% loan granted within the limit of 300,000 dirham.

These guarantees are part of a paid service representing 1% of the amount of the credit with a minimum of 500 dh, excluding taxes per transaction for all sectors of activity, including real estate development and deep-sea fishing.

Finally, Morocco wants to equip itself with crowdfunding platforms as an innovative means of financing that can be used for its SSE. Hence, a draft bill was presented by the Ministry of Economy and Finance on Tuesday, March 21st, 2018 (According to the official website of the General Secretariat of the Government, 2018). This bill (n°15-18) has just been adopted in February 2021. Thus, while this is a promising option, it is too early to judge its effectiveness because of the lack of data, both in an entrepreneurial and SSE context.

All the above mechanisms are reclassified in the following table.

► Table 3. Main modes of financing for the SSE in Morocco

Type of source	Source of instrument	
	External	Internal
Social base		<ul style="list-style-type: none"> • Love Money • Own funds • Membership fees • Moroccan tontines
Finance	<ul style="list-style-type: none"> • Crowdfunding • National Mutual Aid • Social Development Agency (Maroc Moubadarates) • National Initiative for Human Development (INDH) • Microfinance Associations • Tamwil al fellah - Groupe Crédit Agricole 	
Credit guarantees	<ul style="list-style-type: none"> • ‘Mouwakaba’ fund of the Central Guarantee Fund (CCG) 	

2.2. Description of a specific mechanism: the INDH

INDH is the largest social project in Morocco. This initiative aims to reduce poverty, social exclusion and precariousness to improve the quality of life of the poor. It was launched by His Majesty King Mohammed 6 during his speech on May 18, 2005. Thus, on Royal Instruction, a Trust Account entitled 'Support Fund for the National Initiative for Human Development'²⁴ was created. On August 3, 2005, a note²⁵ from the Minister of the Interior ordered the establishment of divisions of social action (DAS) dedicated to the INDH in all the prefectures and provinces of the kingdom. The INDH is based on the spirit of partnership among the state, elected representatives, associations and international organisations. The INDH is backed by international partners, such as the World Bank, the Millennium Challenge Corporation (MCC), the United Nations Development Programme (UNDP), the Saudi Fund for Development, Spanish cooperation, etc. To achieve its intended social objective, the INDH supports income-generating activities and capacity building, improves the conditions of access to basic services and infrastructures (education, health, culture, road, water, sanitation, environmental protection, etc.) and supports people in high vulnerability groups.

2.2.1. Income-generating activities, from funding to support

The national initiative is governed by procedures manuals that are more flexible than the decrees. According to the Income-Generating Procedures Manual, the call for applications is based on a diagnosis highlighting the

strengths of the target territory in terms of income-generating activities. Applicants can file their applications for funding with the Social Action Division of the concerned prefecture or province. These requests are prescreened by a technical commission to invite some of the project promoters to submit a financing file with the assistance of a support structure. At this stage, a provincial committee for human development is in charge of evaluating the projects in order to select income-generating activities eligible for INDH funding based on the reports of the technical commission. The provincial committees for human development are chaired by the governors of provinces or prefectures and include members of the provincial or prefectural council, representatives of the decentralised services and associative representatives. The ceiling of the subsidy granted to the retained IGAs (Income-Generating Activities) cannot exceed the amount of 300,000 Dirham. The grant covers 70% of the amount, with a possible co-financing scheme for the remainder of the sum. The project holder must present a personal contribution of at least 10%, and the remaining 20% can be lent by microfinance associations.

When income-generating project promoters do not use microcredit, they oversee the management of the INDH grant, whose release of funds follows a timetable specified in the signed agreement. In this situation, the support structures dedicated by the programme provide technical support to the entities receiving funding. Otherwise, when the income-generating activity uses external financing, the financing organisation intervenes as a project leader who must obey the terms of the agreement established

²⁴ Decree n° 2-05-1016 of 12 jourmada II 1426 (July, 19th 2005) concerning the creation of a special trust account n° 3.1.04.06 entitled 'Support fund for the National Initiative for Human Development.'

²⁵ The note of the Minister of the Interior No. 86 dated August 3, 2005 on the establishment of the Provincial and Prefectural Committees for Human Development (CPDH) and the Divisions of Social Action



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among the stakeholders. For non-compliance with the clauses of the agreement, the state has the right of cancellation with the possibility of reimbursement of the funds granted. If termination is declared due to mismanagement, insolvency or any other failure, the equipment financed by the INDH remains in its property.

2.2.2. Support structures for income-generating activities

One of the strengths of the grant proposed by the INDH lies in its participatory approach and the integration of accompaniment into its mechanism. Hence, 5% of the overall cost of the project is intended to cover the support of the project holders, as stipulated in the AGR procedures manual. The accompaniment

structure comprises five to seven people with professional experience and financial or technical knowledge and also uses volunteer work. These support structures also include the technical services of prefectures and provinces, associations, cooperatives and non-governmental organisations and private sector actors, such as experts and consultants. These structures provide technical advice in the selection of projects, support the income-generating activity during the quest for additional financing and intervene in the field of training.

As far as financial maturity is concerned, this mechanism affects the start-up, launch and growth phases of SSE organisations, provided that they follow funding programmes and are selected by evaluation committees.

2.3. Relevant examples

Among the organisations of the SSE that have benefited from the financing mechanism proposed by the INDH as part of its income-generating activities programme, the example of the agricultural cooperative of women Toudarte will be described. To understand the economic and social impact that this cooperative has had due to this financing mechanism, it is important to explain the context in which it operates. The cooperative is from Akhsmou village, located in the rural municipality of Imessouane (located in a desert area 70 km north of Agadir and 100 km south of Essaouira). It is a village with a Berber tradition and a conservative population. In this environment, Fatima Ihihi, president of the cooperative, created a women's club in 2000 providing sewing and literacy classes. However, this first experience was confronted with a cultural reality imposed by the customs of Berber villages, where women should not have any activity outside the home. The initiative was perceived as deviant and opposed by ancestral value systems and traditions, which led to boycotts and reluctance on the part of the villagers. It was only by persevering that Mrs Fatima Ihihi managed to get some young women to join this club, which grew gradually.

The lack of education and financial means resulted in a low degree of emancipation, creating barriers to these women's development and putting them in a precarious situation with very little chances of success. The creation of women's cooperatives operating in the agricultural sector was thus seen as an income-generating activity that could help these women improve their condition.

Indeed, the region is renowned for the argan tree, which gives particularly popular oil in the region and everywhere else (Argan oil) and is a potential source of wealth. However, local

cultural variables still represented a threat to the development of this organisation, as it is not customary to see women in a Berber village working outside the framework of housework and engaging in commercial activities involving gender mixing. It took much patience before the cooperative was founded in 2004 with 29 women under the name Toudarte women's cooperative (the name means 'life' in Berber).

During the first years, the main problem facing the cooperative was financing because the contributions of the beneficiaries struggled to directly impact sales and multiply the cycles of production and commercialisation, which are key for the durability of the cooperative. In 2010, Toudarte cooperative received a grant of 153,600 dirhams funded at 70% representing 107,520 dirhams (according to figures that have been provided by the Social Action Division of the wilaya of Agadir). This funding was used to provide the cooperative with the necessary supplies and equipment to improve the performance and quality of its Argan and derivatives.

Thanks to good support and accompaniment, the cooperative expanded its scope of action. It then started selling products outside the village to target the entire region. The cooperative Toudarte, today, comprises more than 100 women who enjoy a stable income, a better hygiene and quality of life. Indeed, the cooperative has become an essential meeting and exchange place, a place of escape where rural women are emancipated and actively contribute to the improvement of their situation and those of their families. The cooperative has remained faithful to its core business with literacy classes, and it also provides interest-free loans to its members. This impact is even greater today because it changes mentalities, limits the rural exodus and specifically encourages children to attend school while helping them in their school curriculum.

The Toudarte cooperative has also economically impacted the region, comprising about ten villages, as it has become an important hub in the production of terroir products and constitutes a meeting space using its infrastructure as a market by farmers and festive halls (for religious holidays, weddings, etc.). Today, the purchase of products from the cooperative promotes a local heritage while helping to improve the situation and living conditions of Berber women, giving them the means to educate their children. With the relevance of this means of financing and thanks to the perseverance and hard work of Toudarte cooperative members, the cooperative became a member of the Targanine economic interest group. It now has a website and produces various cosmetics and food products.

Moreover, the oil produced by the cooperative Toudarte is consumed internationally and is used by several brands of fair-trade cosmetics, such as L'Oreal and the Body Shop.

During the lockdown imposed by the pandemic, the cooperative reacted quickly by offering its products on social networks and its website. The cooperative also continued to ensure delivery countrywide by being reachable on instant messaging platforms. The cooperative leveraged its e-commerce platform and the diversification of its products (argan, honey, cosmetics, etc.). Indeed, organic products, such as honey and its by-products, have been very popular among people who consider them to be good for the immune system.



▶ 3. The SSE and Covid-19:
Impacts and Outlook

3.1. The impact of the Covid-19 crisis on SSE organisations

Morocco declared the state of health emergency on March 20, 2020, disrupting the lives of many people, primarily the most isolated and destitute. In all regions of the kingdom, SSE structures based on commercial activity have found themselves deprived of any resources to live on. The income that normally ensures the sustainability of these organisations and the survival of their members and families instantly stopped. Responding to this major social crisis, several economic measures were taken. Among them, worthy of mention is the creation – on the instructions of King Mohammed VI – of a Solidarity Fund to support the Moroccan economy. This fund is currently endowed with more than MAD 30 billion and allows, among other things, the payment of allowances to salaried workers affiliated with the National Social Security Fund (CNSS) or to the most destitute families having access to the Basic Medical Assistance Scheme (RAMED).

At the time of confinement, 34% of households reported having no source of income due to cessation of their activities. This proportion is slightly higher among rural dwellers (35%) than among urban dwellers (33%). It amounts to 44% among poor households, 42% among households in precarious housing, 54% among artisans and skilled workers, 47% among traders and 46% among agricultural workers and laborers²⁶. One in five households (19%) received government assistance to compensate for job loss: 13% under the RAMED programme and 6% under the formal employee assistance programme (CNSS). According to a telephone survey conducted by the High Commission for Planning on a sample of 4,000 companies at the beginning of April, nearly 142,000 companies or

57% of all companies declared having definitively or temporarily stopped their activities. Out of this total, more than 135,000 companies had to temporarily suspend their activities, while 6,300 permanently ceased.

While it is impossible to determine an exact number due to a lack of reliable statistics, it is safe to say that many actors in the SSE have been hard hit by the crisis.

Unfortunately, there are no institutional studies targeting SSE, and it is difficult to carry one out due to the lack of information and databases in a context of travel restrictions. However, we can extrapolate the data presented and the sectoral impacts on SSE organisations. The smallest organisations have been the most affected by the pandemic: of all of the companies in temporary or complete cessation of activities, 72% are VSEs (very small enterprises), 26% are SMEs (small and medium-sized enterprises) and only 2% are LEs (large enterprises). Moreover, the agricultural sector, where cooperatives are the most represented, has lost 258,000 jobs (a decrease of 7.9%) in the third quarter of 2020 compared to the same quarter of 2019. This loss is greater in rural areas (loss of 260,000) than in urban areas, which actually registered the creation of 2,000 jobs. The ‘industry including handicrafts’ sector lost 61,000 jobs, 44,000 in urban areas and 17,000 in rural areas, which corresponds to a 4.8% drop in the volume of employment in this sector. The ‘services’ sector lost 260,000 jobs nationwide (196,000 in urban areas and 64,000 in rural areas), registering a 5.2% drop in employment in this sector. The decline in employment between the two-quarters affected all categories: wage employment fell by 157,000 (–3%), self-employment by 264,000 (–7%) and unpaid employment by 160,000 (–10.3%).

²⁶ HCP (2020)

Despite the measures for the economic support of the population that were established, millions of Moroccans from the informal sectors are left without resources. The High Commissioner for Planning and the World Bank (2017) estimated that 59.2% of the percentage of Moroccan workers are employed informally. According to the International Labour Organisation, it is imperative to integrate this informal labor into the formal economy to provide this category of workers with a decent job. The regulatory measures facilitating the creation of SSE structures are aimed at this transition. Indeed, SSE employs 5% of the Moroccan population, a figure that should increase if one believes that the trend of creation of SSE structures is driven by Law 12-112. However, the crisis induced by this pandemic has slowed this process while emphasising the role of SSE structures in economic recovery, especially in rural areas.

3.2. SSE responses to Covid-19

SSE organisations operating throughout Morocco have not been spared by the Covid-19 effects, and while remaining in search of a new restart of their activities, their contribution will be important for overcoming the socioeconomic consequences of the pandemic. Indeed, these entities play a major role in sustainable development and have undeniable economic and social effects, such as the fight against unemployment and poverty and the integration of small producers into the market. This contribution is more palpable in rural areas, where the conventional economy is struggling to make up these gaps in our context.

Thus, in the aftermath of health restrictions, many actors have come to the aid of cooperatives, such as the Initiative launched by Wecf²⁷ France (2020) for the benefit of women argan oil producers in Morocco (the majority of whom are members of women's cooperatives).

'These women are not entitled to unemployment benefits. They live in totally isolated villages, in an arid region, facing a severe drought this year... and the confinement will not be lifted before May 20', according to the call for donations launched in their favour, which took the form of food baskets providing 'A family with basic necessities for 2 weeks.'

Other local initiatives have also rushed to help cooperatives, such as the Cherifian Phosphate Office OCP, one of the most important enterprises in the kingdom through its Act4Community branch. Indeed, Act4Community has implemented a new programme for local cooperatives: Act4Coopératives to 'mitigate the socioeconomic impact of the Covid-19 pandemic'.

This new initiative, executed by OCP group collaborators and volunteers, aims to offer artisans and other members of the SSE the opportunity to ensure the continuity of their activities and equip them with online sales tools. Act4Coopératives provides cooperatives with technical and managerial training, the marketing of their products alongside setting up a home delivery system²⁸ to deliver their products.

For its part, ODCo has conducted several actions to provide cooperatives with the necessary means for a sound recovery. To this end, the Office has launched a call for expressions of

²⁷ Women engage for a common future, an international network of women's and environmental organisations.

²⁸ Platforms via social networks with the possibility of ordering and e-commerce platforms prioritising delivery due to the restrictions imposed by the state of health emergency.



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interest to benefit from the fourth tranche of the 'Mourafaka'²⁹ programme to support cooperatives with innovative activities that consider a market-oriented approach and have economic and social benefits on the living conditions of the population, according to the ODCo website. The ODCo also announced support for cooperatives that wish to benefit from the financing offers of the Integrated Business Support and Financing Programme 'Intelaka'³⁰.

The regions have also been mobilised in several areas to handle this crisis through support for businesses and cooperatives via the 'intelaka' programme, the consolidation of the SSE, support for the tourism industry and the upgrading of development (National portal of territorial authorities, Ministry of the Interior, 2020). In the series of measures designed to support the SSE sector and more specifically cooperatives, the ODCo launched an appeal to voluntary partners to support them

²⁹ The 'Mourafaka' programme is a post-creation support programme for newly created cooperatives. This programme includes strategic diagnosis of the cooperative, training of members and individual coaching. This programme converges with various programmes designed to support the cooperative sector, in particular with the National Initiative for Human Development (INDH).

³⁰ The integrated support and financing programme launched in 2019 and designed to provide financial support to small and medium-sized enterprises.



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in developing their own visual identity (logo) or to provide them with technical support in digital marketing, following the cancellation of local, national and international fairs that were vital for these structures and that represented a significant part of their annual turnover according to several cooperatives interviewed.

In addition, the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests also engaged in this outpouring of solidarity towards the SSE through support for logistics, product delivery and communication (Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forestry, 2020)³¹. To help cooperatives

sell their products and enable them to meet their needs, the Moroccan Confederation of Agriculture and Rural Development (COMADER) launched the creation of a digital platform for the wholesale and retail marketing of all agricultural products.

In addition, once the cancellation of the 15th edition of the Meknes International Agricultural Show was announced (an unmissable event for national agriculture in general and for cooperatives in particular)³², the administrative council of the SIAM Association chaired by the Minister of Agriculture, Maritime Fisheries, Rural Development and Water and Forestry also created a digital platform during the entire

³¹ Ministry of Agriculture, Sea Fisheries, Rural Development, Water and Forestry. 2020. Press release. [15 avril 2020].

³² For the cooperatives alone, the sale of local products to SIAM represented around 70% of their annual turnover (FAO-UN, 2020).

period that was planned for the SIAM for the presentation and marketing of local products of cooperatives.

Other cooperatives have changed their main activities to adapt to the exceptional situation imposed by the pandemic. This is the case for many cooperatives that have converted to the manufacture of surgical masks. To this end, the Moroccan Institute for Standardisation (Imanor) and the National Higher School of Textile and Clothing Industries (ESITH) have helped cooperatives to produce masks certified

NM/ST 21.5.201 (2020 standard) that meet the technical requirements of the health control authorities (IMANOR, 2020)³³.

Finally, other cooperatives saw an increase in demand for their products during this period. This is the case for local products, honey and its derivatives and organic products known to be good for the immune system. Thus, this pandemic will have begun a process of change for the business models of Moroccan cooperatives, which are now forced towards diversification, innovation and digitalisation.

³³ IMANOR (2020). List of certificates of conformity to the Moroccan normative document. NM/ST 21.5.200 for non-woven fabric protective masks.



► 4. Conclusions and policy recommendations

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4.1. Opportunity for SSE growth

The issues relating to the SSE depend on the context in which they are studied. The very definition of what may be considered as belonging to this sector is also subject to debate throughout the world, as national conditions may differ. In this study, Brouard et al.'s (2012, p. 20) idea that the impact of the activities of this sector can only be seen in lives that take a happy turn, where social needs are at least partly filled, is supported. It is the state's responsibility to resolve the various structural problems and fill gaps related to the SSE for preparing the ground for a cohesive ecosystem. Synergy and work in a complementary logic should be priorities of the SSE sector in Morocco. The involvement of all stakeholders in a coordinated fashion would help the sector become more efficient and resilient. Today, social concerns are a priority for Moroccan authorities, while the SSE framework law project was recently proposed in April 2021 with the signing of a 1.5 million euro grant agreement³⁴ aimed at strengthening the SSE regulatory framework.

This contrast, among others, emphasises the need for the political sphere in Morocco to look more seriously at SSE development to consider it as a way of emancipation, value creation, and local, regional and national development. Indeed, these objectives can only be achieved if all SSE stakeholders in Morocco consolidate their efforts as part of a unified strategy of convergent actions. One of the main shortcomings of the SSE in Morocco is that it is perceived as the economy of the poor. This misperception is due to the dominance within the SSE in Morocco of agriculture and handicrafts activities. It is

therefore a question of making the SSE sector more attractive in Morocco by widening its scope of action. It is certainly very relevant to focus on the impact sectors where there is the greatest need. This is the case for the most isolated rural regions with underutilised potential requiring a financing model coupled with effective support to generate a social and economic impact capable of improving the quality of life of these populations. However, the age pyramid in Morocco suggests a category of young graduates that it would be beneficial to integrate into this SSE to bring to this sector a new breadth, new ambitions and new ideas.

Given the demographic, economic and social developments of Morocco, it is necessary to integrate the youth in the SSE. Areas of intervention must be diversified and support programmes must be expanded to create synergy between the booming sectors of the kingdom, such as services, tourism and e-commerce, and the SSE components.

4.2. Importance of finance as one of the key drivers

Funding offers should also fill these sectors and many others to promote innovation and attract this category of people with high potential, but who are limited by a false perception of the SSE sector and the impossibility of access to conventional financing simultaneously. It is therefore a question of replacing the existing image of the SSE with that of a responsible and civic economy open to all categories of people sharing common values and animated by a common objective.

³⁴ This agreement with l'Agence française de Développement au Maroc aims to, overall, implement a technical assistance intended to accompany the Ministry in the updating of the project of the framework law on SSE in order to valorise more its economic potential and to adapt it to the new challenges of the relaunch. This technical assistance will concern a diagnostic study on the SSE ecosystem, the updating of the Framework Law, the text of the law and its application decrees, and assistance with the implementation of support mechanisms for social innovation in the SSE.

The expansion of the field of action of the SSE in Morocco also requires sensitisation activities, an upgrade of the supply of funding for entering new sectors of activity (regarding maturity, risk and the amounts granted), but, above all, the adaptation of the structures of accompaniment and training. Indeed, one of the major problems of implementing the income-generating activities of the INDH was structural, linked to the low level of assimilation and application of manuals and the low level of competence of actors and committees³⁵.

4.3. Main existing gaps and obstacles

In Morocco, there are two large families of funding offered in the SSE sphere: free mechanisms such as grants and other 0% honour loans, and financings that must be repaid. The first financier remains the state through the subsidies provided after a call for projects and executed based on a diagnosis. However, this obviously cannot solve all the problems of lack of funding in the sector. This funding mechanism works with a share of capital estimated at 30%, according to the available financial packages, a percentage that poses problems and sometimes hinders even the creation of organisations of the SSE for lack of means to finance the remainder. In this scheme, microfinance presents itself as a complementary solution, and sometimes as a substitute for government funding. However, this alternative requires a refund supplemented by a generally very high interest rate. Moreover, states subsidies are not available for all initiatives because of the existing competition around these calls for funding.

4.4. Emerging mechanisms to be developed

In addition to the interest rates charged in microcredit and the small amounts granted by this mechanism, another major obstacle to this practice is cultural and religious. Interests are prohibited in the Muslim religion and a large part of the population tries to fully avoid them. It is therefore appropriate to adapt the funding mechanisms of Islamic finance recently implemented in our country to be compatible with the specific needs of SSE organisations, which entails being more focused on support and less rigid on the required guarantees. For instance, a system of agreements can be introduced for these initiatives with already existing bodies, such as the central guarantee fund. Moreover, participatory finance can be integrated into INDH funding as an example to finance the difference between the amount financed and the total costs of the projects via a profit margin and not an interest rate, as proclaimed by these financing institutions. Indeed, if this alternative found a market in the mainstream economy, its replication in the SSE must be considered.

Socially responsible investments remain in their beginning in Morocco, as evidenced by the launch on September 27th 2018 of ESG10, which is a thematic index calculating the price performance of socially responsible companies listed on the Casablanca Stock Exchange. This index is based on the scores obtained by these companies based on environmental, social and good governance criteria developed by Vigeo Eiris³⁶. This effort from the Casablanca Stock Exchange after COP22 (within the framework of the 'Marrakech Pledge') should also be directed towards the SSE sector to

³⁵ According to the Report of the Economic, Social and Environmental Council. 2013. National Initiative for Human Development: Analysis and recommendations. Referral # 2; pp. 23.

³⁶ According to the website of the Casablanca Stock Exchange.

give it a better boost and high visibility from investors. Finally, crowdfunding is also part of the innovative financing schemes, whose implementation would enhance the SSE. Indeed, its implementation could be consistent with the future financing needs that will inevitably be posed by the new sectors of activity proposed by the SSE actors of the post-covid era.

4.5. Policy recommendations

Several challenges require consideration to strengthen SSE development in general and its financing mechanisms in particular.

4.5.1. Need for better data and statistics

First, as highlighted by the Financial Mechanisms for Innovative SSE Ecosystems (ILO, 2019) report, it is necessary to keep and publish updated statistics on the SSE. The statistics produced by the ODCo must be accessible to all stakeholders for reasons of transparency and to serve as a basis for decision-making and evaluation of the actions to be undertaken. Indeed, several official statistics still date from 2015, and reliable and updated data for the voluntary sector are almost non-existent. This tends to generate an asymmetry of information that may induce a lack of confidence on the part of potential investors and external stakeholders.

4.5.2. Cultivating the international dimension

International cooperation must be strengthened to leverage best practices in the realm of SSE finance. In this way, new means of financing can be conceived or adapted, new state initiatives

can be launched and new forms of public-private cooperation can be created. Reviewing the guarantee schemes offered for the SSE and considering the importance of having a mix of different financial tools for this sector are imperative, as recommended by the ILO (2019).

4.5.3. Strengthening the SSE ecosystems with a unified legal framework

The Moroccan SSE sector must benefit from a broad and unified legal framework to favour the consolidation of a rich ecosystem that offers various means of financing. This will allow financing schemes to complement each other and provide several options for SSE actors to finance their activities.

The framework law should be implemented in consultation with all sector representatives, given its importance for developing the entire SSE ecosystem. The organisations and enterprises of the SSE should thus benefit from legislation that can create a climate of trust among members, donors, financing institutions, etc. This legal framework should follow the ILO conventions and recommendations on decent work, the SSE context in Morocco and the declaration on cooperative identity adopted by the International Cooperative Alliance (ICA 1995).

From this perspective, SSE issues should be placed under the aegis of the Ministry of Labour and Vocational Integration³⁷ and not just a state secretariat. Indeed, this sector in Morocco is governed by a ministry that also oversees tourism, air transport, and crafts, putting the social economy behind a heterogeneous variety of sectors that have little to do with its activities.

³⁷ Indeed, this ministry is more focused on social issues and promotes integration through work that can benefit the SSE sector. This organisation is in force in several countries, particularly in Europe.



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4.5.4. Need for support structures for SSE organisations

Further, the creation of a support fund for SSE institutions is also proposed alongside the launching of incubators, accelerator programmes and other supporting structures to provide targeted support that can guarantee the sustainability of the SSE organisations in Morocco.

4.5.5. Need for a greater supply of funding for SSE organisations

The non-repayable funding provided by the INDH to SSE organisations needs to be rethought to reduce the risk of financial dependency. In addition, the sustainability of these organisations following SSE principles and a better support offer should be a priority

in this funding model to effectively impact the population targeted by the initiative.

Innovative financing mechanisms such as crowdfunding must be generalised and combined with other funding tools for handling the complexity of the issues facing SSE organisations. The same applies to the promotion of the SSE in less traditional sectors of activity than crafts or agriculture for attracting more young graduates. The supply of training programmes for SSE practitioners must be more diversified. These trainings must cover the problems of support and advice and provide better technical, commercial and management knowledge. In addition, these trainings must adapt to the levels of SSE actors in Morocco to remain relevant.

Finally, the state must emphasise the need for intervention with banking institutions to grant interest-free loans to SSE organisations. It is also imperative to consider the integration of cooperatives and associations in the 'Damane Oxygène'³⁸ programme for mobilising the sources of financing that have fallen due to the drop in activity caused by Covid-19.

The SSE relevance is well established in the Moroccan context, as has been demonstrated. Despite all the efforts made, much remains to be done to move the sector forward and increase the resilience of its structures. It would therefore be interesting to take the lessons of the pandemic and refocus the debate on the funding and sustainability of SSE organisations.

³⁸ This new guarantee product is designed to mobilise financing resources for companies whose cash position has deteriorated due to the decline in their business (Covid-19). It covers 95% of the credit amount and thus enables banks to quickly set up exceptional overdrafts to finance the working capital requirements of target companies.

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