

## MOROCCO

UNITARY COUNTRY

## BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: MOROCCAN DIRHAM (MAD)

## POPULATION AND GEOGRAPHY

**Area:** 446 550 km<sup>2</sup>**Population:** 35.740 million inhabitants (2017), an increase of 1.43% per year (2010-2015)**Density:** 80 inhabitants / km<sup>2</sup>**Urban population:** 61.9% of national population (2017)**Urban population growth:** 2.2% (2017 vs 2016)**Capital city:** Rabat (5.2% of national population)

## ECONOMIC DATA

**GDP:** 297.9 billion (current PPP international dollars), i.e. 8 335 dollars per inhabitant (2017)**Real GDP growth:** 4.1% (2017 vs 2016)**Unemployment rate:** 9.3% (2013)**Foreign direct investment, net inflows (FDI):** 2 680 (BoP, current USD millions, 2017)**Gross Fixed Capital Formation (GFCF):** 28.4% of GDP (2017)**HDI:** 0.667 (medium), rank 123 (2017)

## MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The 2011 constitution establishes the Kingdom of Morocco as a constitutional, democratic, parliamentary and social monarchy. The King is the Head of state. The Head of Government is the Prime Minister, appointed by the King based on the results of the elections to the House of Representatives. The Parliament includes two chambers: The House of Representatives whose members are elected by direct universal suffrage for a 5-year mandate and the Chamber of Councillors whose members are elected indirectly by local and national electoral colleges for a 6-year mandate. Three-fifths of the members of the Chamber of Councillors represent subnational governments. The number of councillors by region is determined according to its population. One-third of members is elected at the level of each region by the Regional Council from among its members. The remaining two-thirds are elected by an electoral college by the members of the communal, prefectural and provincial councils in each region.

According to article 1 of the Constitution, "the territorial organisation of the Kingdom is decentralised, based on advanced regionalisation". Title IX (articles 135 to 146) is entirely dedicated to "regions and local authorities" and article 136 recognises local self-government: "the territorial organisation of the Kingdom is based on the principles of free administration, cooperation and solidarity". The constitution establishes a three-tier subnational system including the regions at the higher level, prefectures (urban areas) or provinces (rural areas) at the intermediate level and municipalities (communes) at the lower level. Regions, as self-governing entities, are new in the Moroccan multi-level governance system. The 2011 Constitution introduced direct elections for regional councils, which were formerly appointed by central authorities.

The Moroccan decentralisation reform is based on the concept of "advanced regionalisation" (*regionalisation avancée*), developed by a regionalisation consultative commission (*Commission Consultative de la Régionalisation*) assigned in 2010 by the King with drafting the reform. The reform is the cornerstone of a new socioeconomic model of development and puts regions at the centre of implementing territorial development policies. The newly elected regions now have exclusive, shared and transferred competences as well as human and financial resources. This regionalisation process, which is currently being implemented, will also lead to a redefinition of the relationship between the central and regional governments.

Regional and local elections, held in September 2015, were an important step in the implementation of the decentralisation process enshrined in the constitution. Three organic laws were adopted in June 2015 to define more precisely the territorial organisation and division of powers: the organic law no. 111-14 regarding regions, the organic law no.112-14 concerning prefectures and provinces and the organic law no. 113-14 on municipalities. These laws are being implemented through the adoption of various administrative legal texts (around 70 in 2016 and 2017).

In addition to decentralised institutions at subnational level, the State still has a deconcentrated administration at each territorial level, headed by a *wali* at regional level, a Governor in the prefecture or province and a *pacha* (urban municipality) and head of circle (rural municipality). *Walis* and governors are appointed by the King.

## TERRITORIAL ORGANISATION

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS

**OVERALL DESCRIPTION.** The Kingdom of Morocco is divided into regions, intermediate government including prefectures and provinces, and municipalities (communes). All these entities have a deliberative body called a council (regional, provincial/prefectural and municipal) whose members are elected through direct and universal suffrage for a term of six years. They are headed by a president elected by the councillors.

**REGIONS.** The current number of regions results from a new division of the territory, which reduced their number. Regions are quite diverse in terms of geographic and demographic size and wealth. In 2016, 58% of national wealth is concentrated in the three regions of Casablanca-Settat, Rabat-Salé-Kénitra and Tanger-Tétouan-Al Hoceima. Disparities in terms of regional GDP are large and increasing. Regional GDP per capital varies from 1 to 5.

**PREFECTURES AND PROVINCES** make up the second level of territorial decentralisation in Morocco. Prefectures are found in urban areas, while provinces comprise more rural districts.

**MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION.** Municipalities are very diverse. While the average size of municipalities is large (around 23 000 inhabitants), the municipalities in the bottom 20% have an average population of 2 800 inhabitants (3% of the total population) while the biggest 20% have an average size of 67 500 persons (67.5% of the total population). Morocco also has a network of around 25 000 villages and rural localities, which do not have - however - a legal personality. Six cities with more than 500 000 inhabitants (Rabat, Sale, Casablanca, Fez, Marrakech and Tangier) are managed by a municipal council and are subdivided into districts. They may not have legal personality but they do have administrative and financial autonomy as well as borough councils. Casablanca, the largest city has 16 borough councils while the other 5 cities have between four and six borough councils. Following the 2015 reform, the former region of 'Greater Casablanca' (4.3 million inhabitants, 18 municipalities) was merged with five other surrounding provinces to become a new region called 'Casablanca-Settat' (almost 7 million inhabitants, 168 municipalities). However, there is no governance body to manage this large area, except at a lower scale, with the former Greater Casablanca which is an inter-municipal cooperation structure created by the municipalities (Al Beida). There are no specific metropolitan governance arrangements for metropolitan areas. However, inter-municipal cooperation is encouraged. Cooperation is based on the organic law on municipalities, which established inter-municipal cooperation institutions. Cooperation is also based on the role that provinces and prefectures have to play to enhance efficiency, solidarity and cooperation between the municipalities.

## SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The assignment of responsibilities is based on the principles of subsidiarity (Article 140 of the 2011 Constitution, solidarity (among municipalities and regions) and cooperation (at the national and international levels) as well as accountability, evaluation and control. In principle, all local authorities are responsible, in their respective area, for planning, programming and promoting the economic, social and cultural development of their constituency. According to 2015 organic laws, SNGs have three types of responsibilities: exclusive, shared and transferred. Exclusive competences refer to responsibilities exercised exclusively by each level of subnational government. Shared responsibilities are those exercised under contract schemes between SNGs and the central government. Transferred competences relate to those responsibilities that are transferred by the State, based on the principle of subsidiarity. Under Article 140 of the 2011 Constitution, the central government decides which competences can be transferred to local government. Any transfer of competences must be accompanied by a transfer of the subsequent resources required to carry them out.

The regions are mainly considered "areas of social and economic development". They are in charge of designing regional economic, social and land use strategies and plans. In particular, regions have to develop their Regional Development Plans (RDP) and create Regional Agencies for Projects Implementation (AREPs). The prefectures and provinces are responsible for promoting social development, particularly in rural areas. They are also in charge of enhancing efficiency, solidarity and cooperation between the municipalities located in their respective territory. Municipalities are in charge of delivering local services to citizens and promoting local development. Several large cities have created local development companies (*Société de Développement Locale* - SDL) as a new mode of management of local public services (e.g., Casa Transport set up in 2008 to operate the tramway).

### MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONS	PREFECTURES/PROVINCES	MUNICIPALITIES
<b>1. General public services</b>	Internal administration	Internal administration	Internal administration
<b>2. Public order and safety</b>			Ambulance and emergency services
<b>3. Economic affairs / transports</b>	Regional economic development; Rural development (agricultural centres); Promotion of tourism; Developing a regional transport plan; Developing a regional development plan; Non-farming activity and maintaining unclassified roads; Promotion of energy efficiency.	Construction and maintenance of prefectural and provincial roads and maintenance of rural tracks; Development of mountainous and oasis areas; Rural economic development; Public transport; Building and maintaining small- and medium-sized hydropower structures.	Local economic development and employment and support to economic activities and enterprises; Markets and fairs; Slaughterhouses and transport of animals; Local roads; Public transport; Local tourism.
<b>4. Environmental protection</b>	Management of natural resources, Management of regional protected parks and forests a Combating pollution and desertification		Protection of environment; Contribution to costal management; Parks and green areas.
<b>5. Housing and community amenities</b>	Electrification and drinking water supply to remote villages; Promotion of social housing; Development of a regional strategy for water and energy.	Detecting the population's housing needs; Rural access to water and electricity.	Urban and regional planning and the development of a local plan; Electricity distribution; Public lightning; Maintenance of cemeteries and burial grounds; Waste collection; Cleaning of public place.
<b>6. Health</b>		Rural healthcare; Detecting the population's needs related to health; Prevention and hygiene.	Local clinics and healthcare centres.
<b>7. Recreation, culture &amp; religion</b>	Promotion of sports and recreation; Preservation of archaeological and heritage sites; Promotion of festivals and events; Maintenance of monuments, management of cultural institutions	Detecting the population's cultural and sport needs.	Preservation of local culture and cultural activities; Management of social-cultural and sport facilities; Camping areas and recreational spaces;
<b>8. Education</b>	Vocational training, continuing education and employment;	Detecting the population's education needs; School transport in rural areas	Primary and basic education (building schools)
<b>9. Social protection</b>		Social development; Reducing poverty	

## SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: regions, prefectures, provinces, and municipalities.

SNA  
Other

Availability of fiscal data:  
**Medium**

Quality/reliability of fiscal data:  
**Medium**

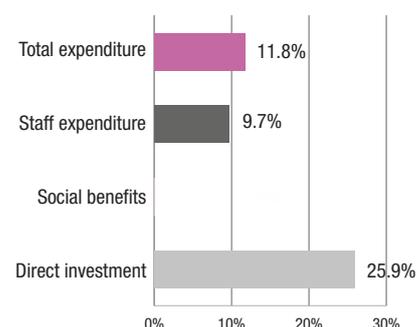
## MOROCCO

UNITARY COUNTRY

**GENERAL INTRODUCTION.** According to Article 141 of the Constitution, SNGs are financed through financial resources transferred by the central government and by their own revenues. The same article states that any transfer of responsibilities from the State to the local authorities must be accompanied by a transfer of the corresponding resources. An important fiscal reform was launched in 2007 with the enactment of Act no. 47-06 on SNG taxation, supplemented by Law 39-07, which distinguishes between the regional, provincial and prefectural, and communal taxes. A new local finance law was adopted in 2009 to modernise the local finance system. This legal package was supplemented by fiscal provisions in the 2015 Organic law 111-14 on regional governments.

#### SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
<b>Total expenditure</b>	<b>273</b>	<b>3.4%</b>	<b>100%</b>	
<b>Incl. current expenditure</b>	<b>175</b>	<b>2.2%</b>	<b>64.2%</b>	
Staff expenditure	88	1.1%	32.0%	
Intermediate consumption	N.A.			
Social expenditure	N.A.			
Subsidies and current transfers	N.A.			
Financial charges	9	0.1%	3.1%	
Others	N.A.			
<b>Incl. capital expenditure</b>	<b>98</b>	<b>1.2%</b>	<b>35.8%</b>	
Capital transfers	0	0.0%	-	
Direct investment (or GFCF)	97	1.2%	35.4%	



**EXPENDITURE.** Despite a wide range of competencies, SNGs are still limited in their role of public providers of services and infrastructure. SNGs expenditure remains low, at only 11.8% of public expenditure and 3.4% of GDP in 2016 (vs 29% of public expenditure and 9.2% of GDP for OECD unitary countries in 2016). It is expected that this ratio will evolve with the ongoing decentralisation process.

**DIRECT INVESTMENT.** Staff expenditure accounts for close to one-third of SNG spending, on par with averages in other OECD unitary countries (31.3% in 2016). However, the share of SNGs in public staff spending is low compared to the OECD unitary countries (9.7% vs 43%). This is indicative of central government's considerable role in staffing at central and deconcentrated levels. The bulk of SNG spending – 73.8% – was carried out by municipal governments while the prefectures and provinces accounted for 18.9% and 7.3%, respectively. Municipal governments are the largest employers, carrying out 81.1% of total SNG staff expenditure. They are followed by the provinces/prefectures (17.9%) and the regions (1%). The rise in regions' activities should increase this budget item in the future.

#### SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

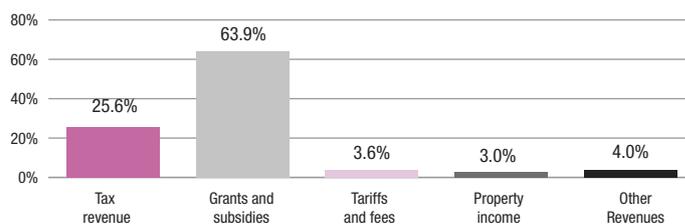
Morocco made a strategic decision to increase its public investment in order to drive private investment as part of its growth model to reduce social and spatial inequalities and improve access to remote areas. Direct public investment amounted to around 4.7% of GDP in 2016. Despite the decentralisation process, which has translated into new funds for infrastructure, the role of SNGs in public investment remains limited. In 2016, SNGs accounted for 25.9% of public investment and 1.2% of GDP, a level which is well below the OECD average (56.9% of public investment and 1.7% of GDP) as well as the average for OECD unitary countries (respectively 50.7% and 1.7%). However, investment represents the first item of SNG expenditure, more than staff spending and well above the ratio observed in the OECD (35.8% in Morocco vs 10.7% in the OECD on average, and 13.8% in OECD unitary countries).

The main investors are the municipalities: they account for 53% of total SNG investment. They are followed by the prefectures/provinces (32%) and the regions (15%). Investment represented in 2016 a significant share of regional expenditure (74%) and provincial/prefectural expenditure (60%), while it accounted for 26% of municipal expenditure. It confirms that the regional and intermediate levels have mainly an investment function while municipalities are involved in both the provision of local infrastructure and public services.



## SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
<b>Total revenue</b>	<b>292</b>	<b>3.7%</b>	<b>14.7%</b>	
Tax revenue	75	0.9%	4.3%	25.6%
Grants and subsidies	186	2.3%		63.9%
Tariffs and fees	10	0.1%		3.6%
Property income	9	0.1%		3.0%
Other revenues	12	0.1%		4.0%



**OVERALL DESCRIPTION.** Municipalities accounted for the largest share of SNG revenues (71%), the prefectures/provinces and the regions amounting to respectively 16% and 13%. SNG revenues comprise three types of resources: revenues transferred by the central government (grants and subsidies composed mainly of shares of national taxes), local tax revenue managed by central government and other own revenues managed by SNGs. In 2016, grants and subsidies represented the bulk of SNG revenues (to be compared to 49% in OECD unitary countries) while tax revenue accounted for one-quarter (38.7%). These ratios show that SNGs depend heavily on central government funding and that SNGs remain relatively limited in their revenue collection process. This dependence is however higher for the prefectures/provinces and the regions, which are almost exclusively funded through grants (94% and 80% of their revenues, respectively).

**TAX REVENUE.** SNG taxes are managed either by the central government on behalf of SNGs (75% of SNG taxes) or directly by SNGs (25%). SNGs cannot set the rates or manage the tax base of local taxes, which are managed by the central government. However, they have this power when it comes to other local taxes. Three taxes are collected by the General Tax Administration: the residence tax also called “urban tax” (*taxe d’habitation*), the tax on municipal services (*taxe sur les services communaux*) and the professional tax (*taxe professionnelle*). 95% of the receipts of the tax on municipal services go to municipalities and 5% to the regions. Municipalities directly levy and collect two other taxes related to property: the tax on undeveloped urban land and the tax on the construction of buildings and related infrastructure. These five taxes form the recurrent taxes on immovable property. They accounted for 0.8% of GDP (vs OECD average of 1.1%), 82% of SNG tax revenues and 21% of SNG total revenue. Other taxes managed by SNGs include municipal taxes (e.g., on beverage, tourist, bottled water, public transport, extraction activities in quarries); prefectural/provincial taxes (driver’s license, vehicle inspections, sale of forest products); and regional taxes (hunting permits, mining, port services).

**GRANTS AND SUBSIDIES.** There are two types of intergovernmental transfers: one made up of shares of national taxes, which are redistributed to SNGs and the other category, which is made up of subsidies (*Fonds de concours et subventions*). The first category is largely predominant (86% of total grants). All SNGs receive a share of VAT: 1% for the regions and 30% for the prefectures/provinces and the municipalities. The VAT is the main source of revenue of SNGs, representing 80% of total transfers and 50% of all SNG revenues. The VAT is however a minor source of revenue for the regions, which have benefited from, since the organic law 111-14, a more diversified basket of taxes. The law provided for the progressive allocation of the receipts to the regions of at least 5% of the personal income tax, 5% of the corporate tax (CIT) and 20% of revenue from tax on insurance contracts. Overall, these three taxes amounted to 36% of regional total revenue in 2016. Annual distribution to individual SNGs is formula-based to reduce both vertical and horizontal imbalances. For the municipalities, there are three quantitative criteria: A lump sum part (minimum transfer to all municipalities); a part based on tax mobilisation capacity (redistributive criteria); and a third part based on tax effort (incentive criteria). The share of the VAT transferred to the prefectures and provinces is based on a series of criteria including the annual amount of staff wages and salaries and the size of the population and area. Other grants from the State budget are significantly more important for the regions than for the other SNGs, representing 50% of their total grants. In fact, the constitution provides for the creation of two regional funds, established in 2016: a fund for “social upgrading” (*fonds de mise à niveau sociale*) to alleviate inequalities in human development, infrastructure and equipment, and a fund for “interregional solidarity” (*fonds de solidarité interregionale*) to reduce disparities between the regions.

**OTHER REVENUES.** SNGs collect charges and user fees for services, which accounted for 3.6% of total SNG revenue in 2016. This is significantly less than in the OECD on average (14.9%). They also earn revenue from municipal assets, mainly those generated from real estate and interests generated from Treasury funds. Property income accounted for 3% of SNG revenue in 2016.

## SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
<b>Total outstanding debt</b>	<b>130</b>	<b>1.6%</b>	<b>2.0%</b>	
Financial debt*	130	1.6%	2.0%	100%

\* Currency and deposits, loans and bonds

**FISCAL RULES.** The 2009 local finance law and decree no. 2-09-441 of 2010 lay down the fundamental principles, the rules applicable to the execution of revenue and expenditure operations and treasury operations, the accounting rules, budget regulation, accountability and control. In particular, local budgets must be balanced.

**DEBT.** Local governments are able to contract loans but only from the Municipal Equipment Fund (*Fonds d’équipement communal*, FEC), which is a public bank supervised by the central government and specialised in subnational financing. Borrowing must be approved by the Minister of the Interior and is reserved for financing investment projects (“Golden Rule”). Additional prudential rules include having a debt ratio below 40%; generating savings and future surpluses that can cover the entire debt service; participating in the financing of the project with a minimum contribution of 20% of its cost; and possessing the human, material and organisational resources to implement the project. In 2016, loans were taken out to finance projects in the following sectors: roads (45%), sanitation (19%), electricity (18%), urban planning (15%). The breakdown of loan disbursements was as follows: 49% to the municipalities, 11% to the prefectures and provinces, and 40% to the regions. SNG debt remains limited, by international standards.



Lead responsible: OECD  
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**Socio-economic indicators:** World Bank // UNDP // UN Desa // ILO // Haut Commissariat au Plan (2017) Annuaire statistique du Maroc.

**Fiscal data:** OECD Revenue Statistics // MEF, Trésorerie Générale du Royaume du Maroc (Décembre 2016); Bulletin Mensuel de Statistiques des Finances Publiques and Bulletin mensuel de statistiques des finances locales // MEF- Direction des Études et des Prévisions Financières (Juin 2017); Tableau de Bord des Finances Publiques.

**Other sources of information:** OCDE (2018), Dialogue Maroc-OCDE sur les politiques de développement territorial: Enjeux et Recommandations pour une action publique coordonnée // M. Elkhdari (2018) Deconcentration, political and fiscal decentralization, in Morocco // Fonds d’Équipement Communal FEC (2016): Rapport d’Activité 2016 // A. Houdret and A. Hamisch (2017) Decentralisation in Morocco: The Current Reform and Its Possible Contribution to Political Liberalisation // OECD & ULGC (2016): Subnational Governments Around the World: Structure and Finance // Cour des Comptes du Maroc (Mai 2015): La Fiscalité Locale – Synthèse.