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Recommended Citation

Topics in Middle Eastern and North African Economies, electronic journal, Volume 2, Middle East Economic Association and Loyola University Chicago, September, 2000. <http://www.luc.edu/orgs/meea/>

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INSTITUTIONAL REFORM AND EFFICIENCY

OF THE BUDGET PROCESS: A CASE

STUDY OF MOROCCO

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I-INTRODUCTION

If one analyses the evolution of Morocco's Growth Rate of GDP over the last two decades one notes that between in the beginning of the 1980's there was a decline in the growth rate. The structural adjustment started in 1984 boosted the economy and growth rates increased up to 1990. The 1990's being a period of quasi stagnation.

This structural adjustments took the form of various economic policy measures which significantly increased the openness of the economy. These reforms aimed at reducing economic distortions and at promoting the higher growth rates urgently needed to reduce poverty and unemployment.

Morocco relaxed price controls, achieved current account convertibility for residents and capital account convertibility for foreign investors, launched a broad financial sector reform, engaged in a program of privatization of public enterprises, liberalized its foreign trade and undertook a significant fiscal reform.

The privatization objective was to ease the strain the state enterprises were putting on the state budget. The privatization law voted in 1989 authorized the transfer from the public to the private sector of a number of companies and hotels. The privatization really took off in 1993.

The tax reform included the introduction of the value added tax in 1986, the establishment of the corporate tax in 1987, the adoption of the income tax in 1990, a reduction of tariffs and a frequent manipulation of the import tax, the replacement of the various investment codes by an investment charter in 1996 and a restructuring of the tax administration in 1991 (Sagou in Melanges, Collectif, 1999).

The most important element in the liberalization of foreign trade is the signature of a free trade agreement with Europe. This agreement includes a progressive removal of tariffs to be completed in 2010 within twelve years. It is having and will continue to have an impact on the structure and evolution of revenues. In the 1980's the import taxes represented about twenty five percent of current receipts (Claisse in Melanges, Collectif, 1999). This percentage which has decreased to an average of nineteen percent in the beginning of the nineties is declining and is today around fifteen percent (Table 1A, 1B in the Appendix).

Despite the positive effect structural adjustment had on restoring macroeconomic equilibrium and reducing inflation it was associated with a heavy deficit on the social sectors. This period saw an increase in unemployment, still high levels of illiteracy rate and poor health services.

The combination of the deficit on the social grounds associated with the predictable reduction of tariff revenues due to the free trade agreement signed with Europe and the non renewal of the fish agreement forces us to ask whether the macroeconomic equilibrium (in particular the budget deficit) achieved through the structural adjustment program is sustainable.

Once the "incompressible" expenses (meaning here the wage and debt expenditures) are accounted for, very little is left to allow the government to influence in a significant way the outcome of the budget. The ability to raise revenue beyond privatization proceeds being limited, the government intervention is expected to

center around the implementation of institutional reforms aimed at improving the efficiency of the budget procedures. A number of measures are already underway: a new finance organic law has been voted, a reform of government bids has been undertaken and the way funds are transferred from the state to the local government has been revised. Other changes being discussed include a project to actually improve the system of funds control and a project on the globalization of ministry's expenses. The object of the paper aims at evaluating the impact of some of these changes on the overall, allocative and technical efficiency of the budget.

The purpose of the paper is to evaluate whether the Kingdom of Morocco can face a new fiscal situation, with increasing economic and trade liberalization and thus decreasing trade taxes, increasing demands to reduce social shortcomings and effectively continue to control its spending and deficit.

The paper uses a new institutional economics approach to address this question. It will attempt to evaluate the aggregate discipline and the allocational and technical efficiency of the budget process using the questionnaire developed by Hadi Esfahani (1999). This questionnaire constructs indices of institutional capability using information on the country budget procedures. The questionnaire will also be used to evaluate whether the ongoing reforms affecting the budget process have been sufficient to increase the ability of the government to contain the deficit.

This study proceeds as follows. In section II, we describe the historical background of public finance in Morocco. Section III presents an overview of the budget and main related issues in particular the size of the state owned enterprise and the decentralization process. The fourth section reviews the budget process currently being followed in Morocco. Section V discusses the recent changes that were introduced by the new organic law. Section VI assesses the effectiveness of the budget institutions in maintaining fiscal discipline and being efficient in designing and implementing the budget and this effectiveness transformation by recent reforms.

II- HISTORICAL BACKGROUND

Morocco did not have a budget in its modern meaning until 1913. However a financial organization, attributed to the oumanas, was established under the reign of Moulay Slimane (1792-1822). According to Marchal (1931) these oumanas were rich merchants recruited from Tetouan, Salé, Rabat and Fès. They brought to public finance, accounting practices inspired from the ones they had known in merchant houses. However they did not elaborate a budget and did not make any estimate of expenses.

Amin El Oumama was the head of the oumanas corpus and could be considered as a real Minister of Finance even if it is only under the reign of the Sultan Moulay Hassan 1873-1894) that amin el oumanas took the title of Ouzir El Malia. He had under his supervision the amin of the receipts who perceived revenues and deposited them to the treasury, the amin of spending who paid the debts of the makhzen and the amin of accounts who controlled the accounts transmitted to the makhzen by the oumanas.

To perceive the receipts and with the increased complexity of the accounts and services, a large variety of oumanas were established. Every amin had to send every month to the makhzen a weekly statement of receipts and a monthly statement of account. Before leaving their positions the oumanas had to present a general statement which was given to the Sultan who then sent them to the beniqua, the equivalent of a government auditing office.

For the treasury, there was not a unique institution but various ones. Bit El mal El Mouslimin received all the receipts from religious taxes. Dar Adyil received all the products of administrative contributions. The Sultan's treasury received essentially donations made to the Sultan.

In Muslim countries the taxation originates in the Koran and the collection of revenues is based on a principle of private and social solidarity. The first taxes were Zekat and Achour. With military conquests,

tribute money and sovereignty taxes (Djezya, Kharadj etc...) became a new source of revenues. Finally, financial needs forced the Sultans to establish administrative contributions which have no religious nature and are called Meks. The protectorate maintained the existing taxes transformed some and created new ones¹.

This system worked very well as long as the state was managed parsimoniously, however the costly reforms of the Sultan AbdelAziz (1894-1908) led to large debt. These debt, the interest of the European power in the access to Morocco's wealth and military interventions, led to the protectorate treaty in March 1912. Public finance played a very significant role in the protectorate. By a Cherifian message of November 25 1912, the Sultan Moulay Youssef (1912-1927) send to the caïds a "tertib"² (regulation) to be applied in 1913. In 1915 two organic dahirs codified the establishment, the rates and collection of this tax. The tertib stays in the Koran tradition since it continues the Zekat and Achour but also borrows heavily from the French legislation.

Up to 1910, even if taxes were collected (tariffs, Zekat and Achour), no budget was officially written. The first budget was regional and for the Chaouia region. In 1912 this budget was cut into local budgets and was extended to Meknes (1912), Rabat, Fés and Marrakech (1913). In 1913-14 the general budget of the Cherifian empire was established. The rules of public accounting were clarified by a dahir in 1917 which specified the fundamental rules dealing with the elaboration and execution of the budget. This dahir was amended many times during the protectorate to be consistent with the French budget.

Because public institutions and the budget process in Morocco were borrowed from the colonizer and imposed in an environment where it created a "lag" between a traditional society and a more modern one it led to two of type of inefficiencies, those inherent to the borrowed system and those resulting from non internalization of the system.

In muslim tradition the caliph, as a head of the community of Muslims has all spiritual and temporal powers. This supreme power allows him to be above all institutions. It is only with the caliph Omar Ibn Khattab that the idea of power delegation appears but by this delegation the caliph does not relinquish his power. Morocco becoming a Sultanate in 1145 continues however to apply the principles of Muslim law. Justice was still given in Morocco in the name of the Sultan. Everything that deals with the administration of society goes to the Sultan who can delegate some of its powers to ministers. The right to reform muslim law (Chraa) belongs to the oulemas (legal experts) who, when asked by the Sultan, give an opinion called Fetoua. This tradition continues in Morocco but the power of oulemas has been reduced by the institution of Parliaments.

Before and during the protectorate Moroccan population was represented by assemblies of notables, representing the link between the population and the makhzen. Because of material problems associated with the organization of election after independence a national consultative council is created. This council was composed of four committees of which the budget committee. It did not have an autonomous power of decision and lasted only from November 1956 to Mai 1959.

It is only in 1962, a few years after the end of the protectorate that Morocco had its first constitution. Largely inspired from the French one, it affirms a number of democratic principles such as separation of powers, national representation and multi party. Four other constitutions followed in 1970, 1972, 1992 and 1996. Every constitution has a number of articles dealing with the finance or budget law.

In 1963 the first parliament was elected. It was an assembly composed of two chambers. This assembly was interrupted in June 1965 by the proclamation of the state of emergency. In 1970 a new constitution replaced that of 1962. It substituted one chamber to the two chambers and in August 1970 a new assembly was elected. In 1971 and 1972 after the two military coups there was no representation until 1977. The 1977 assembly was the first that finished its term. In 1984 the fourth assembly was elected. It was followed by new assemblies in 1993 and in 1997. The two chambers were reinstated by the 1996 new constitution.

The September 1996 constitution³ has introduced many innovations that are relevant to the budget. The bi-cameral parliamentary system with two chambers was re-introduced with the Chamber of representatives

(Chambre des representants) and the Chambers of advisors (Chambre des conseillers). The former is elected for five years and the latter for nine years (renewable for the third every three years) at the universal suffrage. The importance of the region as a local collectivity next to the prefecture, the provinces and the communes was reinforced. The legal status of the government auditing office (la cour des comptes) has been strengthened. The concept of the development plan replaced that of an economic program.

We will see below that many articles of this constitution (45, 50, 51, 55, 56 and 57) deal with the voting conditions and the potential amendments of the budget law.

The Parliament exercise its control on public finance. The finance organic laws describe the process of adoption of the finance law and give the character of finance law to the annual finance law, the "rectificative" finance law and the "reglement" law. In pursuance of this finance organic law, a decree of application defines the elaboration and carrying out of budget law. Four finance organic laws have been in effect since independence: 1963, 1970, 1972 and 1998.

III - Overview of the budget and main related issues

1. Global trends

Following the phosphate boom of 1975-1977 Morocco abandoned a relatively conservative approach to economic management and increased significantly both capital and current expenditure. The reversal in the terms of trade led to a significant budget deficit in the beginning of the 80's financed mainly by heavy borrowing from abroad (Table 2) which increased total external debt. During 1983 to 1986 a macroeconomic stabilization program, continued until 1990 and including both contractionary fiscal and monetary policy measures was implemented. It has permitted a very sharp reduction in the budget deficit and at the same time a steady decline in inflation throughout the 1990's (figure 1).

On the expenditure side, the capital expenditure has sharply declined since the beginning of the 80's to stabilize at around five percent of GDP. In fact in the budget the capital expenditures are almost taken as a residual after the incompressible and other expenditure are met. The incompressible expenditure here are the central government wage bill and interest on public debt. Despite a timid introduction of incentive to leave for the workers of SOE and the non systematic replacement of retired workers, it is not expected that the wage bill can be reduced significantly. The efforts to manage the debt in a more efficient way has led to some positive results but not large enough to reduce the share of debt repayments as a percentage of total budget.

On the revenue side, the trade reform and the introduction of the VAT has first led to a reduction in total revenue between 1983 and 1986. After 1986 the important fiscal reform led to an increase in government revenues, however the free trade agreement signed with Europe and the non renewal of the fish agreement is expected to reduce these revenues significantly especially since trade revenues were and still are (even after their decline) an important share of total revenue.

The way in which the budget deficit was reduced and maintained at a reasonable level was through a significant reduction in capital expenditure, which have been considered almost as residual expenditures once all other expenditures are met (figure 2).

It was also achieved through a freeze of salaries and a deterioration in the provision of social services. The latter has led to social pressure for better public services and rising demand for wage increases.

Further this reduction of the budget deficit was accompanied by a significant restructuring of both the expenditure and revenues components of the state budget. The wages and debt reimbursement parts have increased despite efforts to reduce them making the incompressible part of the government expenditure equal to more than sixty percent of expenditures (Table 3A, 3B).

Given the composition and structure of the budget deficit and the will of the government to tackle shortcomings of the social sectors it is necessary, and this is recognized and expressed by the government, to improve the efficiency of the budget process.

2. The importance of state owned enterprises

The state owned enterprise are important with regards to the state budget because the state either receives funds from SOE when they are profitable or subsidizes this SOE when they can not raise sufficient revenues to cover their own expenses. The State pays the salaries of some SOE and the amount is included in the wage component of current expenditure. The State participates as well to the investment of SOE.. The privatization program aims, among other things, at reducing the state's expenditures in terms of SOE subsidies.

There is a relatively large number of state owned enterprises in Morocco. The State is a majority holder in 351 enterprises out of the 719 state enterprises. It holds one hundred percent of 244 enterprises and more than fifty percent of 107 other enterprises.

The state owned enterprise value added represent thirteen percent of GDP. The total investment of SOE represents about ninety percent of the investment included in the state's general budget and twenty two percent of the countries total investment. The SOE investment financing was realized for eighty percent through self financing, fifteen percent by the state and five percent by debt. This debt is in most cases the result of bilateral agreements and loans from multilateral institutions. The SOE total number of employees is around 200,000, and is equivalent for 1997/98 to forty three percent of the state general budget salary expenses.

The budget transfers from the state to the SOE went essentially to sectors that are perceived as priority sectors such as infrastructure, social sectors, agriculture, water and electricity. These transfers represent for 97/98 two percent of GDP and almost six percent of the general budget total expenditure. These transfers went for twenty nine percent to current expenditure, for twenty seven percent to investment expenditures, and for twenty two percent to debt. The rest was directed toward restructuring and capital increase.

The transfers from the SOE to the state budget realized in 1997/98 represent about one percent of GDP. They come essentially from the products of monopolies and from the exploitation and financial participation of the state in the SOE (fifty percent) and from the products from financial institution (forty percent).

To rationalize the working of the SOE sector the government has put in place measures to improve the governance of these enterprises. For example, the practice of auditing SOE has become usual practice and is conducted on an annual basis. The contractual agreement (defining relations between the state and the SOE) concerns the most important SOE and the role of the board of directors has been reinforced. The government is also trying to optimize the current and capital expenditures of SOE.

Finally the privatization program has permitted the transfer to the private sector of 56 units (34 enterprises and 22 hotels) as of December 1998. The product of the cessions amounted to DH 13.5 billions. The privatization program up to today concerned essentially profitable companies so it did not affect substantially the amount of capital and current subsidies made by the state to SOE (Table 4 and 5). The privatization process will eventually lead to a reduction of expenditures allocated to subsidizing SOE when the restructuring of the enterprises to be privatized is completed and more less profitable companies are sold to the private sector. It contributes to the budget revenues since 1995 for a small part of total revenues but the amount is expected to increase.

3- Decentralization

In 1976 the "Charte Communale"⁴ was voted. It constitute the real beginning of the efforts made for decentralization. The subsidies system established before 1988 aimed a insuring that both the current budget

and the investment budget were in equilibrium. This resulted from the fact that the local government current budget had, by law, to always be in equilibrium⁵. This was insured by subsidizing local governments that showed a deficit through the "equilibrium subsidy". The distribution of this subsidy was based on what was called "estimated deficit" which gave an incentive to local government to overestimate the deficit. The investment budget was distributed arbitrarily.

In 1985 the law introducing the Value Added Tax⁶ was adopted. It stipulated in particular that thirty percent of the VAT receipts will go to the local government. It is only in 1988 that the first transfers of VAT receipts was conducted and up to 1995 the way the funds were transferred to the local government remained identical to the one prior to 1985.

It is only in 1996, twenty years after the promulgation of the Charte Communale that the system was revised by a note of the Ministry of the Interior⁷. On the financial side the distribution of the VAT proceeds allocated to the local government is now for more than seventy percent allocated in an automatic way on the basis of pre-established criteria. The two main criteria are the potential for the commune to raise taxes and the effort made by the commune to raise tax (these criteria are used as indication of the commune's wealth). The remaining resource do not take into consideration the size or financial situation of the commune.

Some problems remain, in particular the fact that the resources allocated to the local government are very small compared to the responsibilities that have been transferred to them. The new system has had the advantage of changing the behavior of both the local government and of the authorities of the Ministry of Interior. According to a first attempt to evaluate the impact of the new procedures (Saddoug 1999) the local government were better able to plan their budget and the degree of autonomy in their decision improved. However the fact that the measure of the criteria's used to decide the amount allocated to each commune (taxe potential and effort) is not known to the commune and that a remaining part is allocated arbitrarily does not allow the local governments to predict their budget. A redefinition of the criteria used to attribute these receipts which would include population, level of development and equipment needs is under study at the Ministry of Interior (Rousset in melanges, Collectif, 1999). The VAT represents an increasing share of the local governments budget (Rhomari in Mellanges, Collectif, 1999).

It is only when the local governments will be able to predict their budget for the coming year, that the question of how to allocate this budget in a more efficient way and with a better involvement of the local government in the definition of needs will be answerable. For the moment the important decision seem to still be taken at the central level even if some attempts to increase the participation of the local governments are at a thinking stage. For example the construction of new schools is still decided on an annual basis by the Ministry of education, however a project (at an early stage) exist for the Ministry of education to have a convention with the local governments for the construction of schools.

IV. MOROCCAN BUDGET PROCESS

1. Budget structure

To take into account the importance of agriculture the budget covers a year starting July 1st. This periodicity dates from 1996 only (Table 6) even though it was recognized as the most appropriate as early as 1931. Marchal (1931) referring to a change of the budget law periodicity in 1931 points out: "For Morocco, the first of July would have been a better one"⁸.

The budget document, (thereafter called budget law, BL) gives expenditures and revenues for the year, presenting them both as totals and for each spending department.

Since independence and up to 1992, the budgets were linked to multi-year economic plans of various length.

Morocco had seven economic and social development plans of various length. They are those of 1960-1964; 1965-1967; 1968-1972; 1973-1977; 1978-1980; 1981-1985 and 1988-1992. The plans were abandoned in 1992 and a new economic plan was written for the period 1999-2003.

Before 1973 the plan was strictly applied. The 1973 budget law went beyond what was predicted in the plan due in part to the increased revenues resulting from the phosphate price increase. After 1978 the plan became a very ambitious project not necessarily achievable with the existing means. The lag between the plan and the budget law increased in the following years. In 1983, with the structural adjustment program the budget law became more realistic. The plan was not anymore since 1992 a reference for the elaboration of the investment budget which was drawn essentially on the basis of the priority programs, completion of existing projects, the continuation and maintenance of public works and the achievement of projects for which external financing was available. The idea with the 1999-2003 plan, to be voted in the October 1999 session of parliament is to draw an achievable goal but the plan financing will most likely be difficult to finance and resources will need to be found.

The link between the plan and the budget law is explained in article 50 of the constitution which asserts that investment expenditures are voted only once, when the parliaments approve the economic plan. However the 1998 organic finance law in article 24 specifies that approved plans give rise to a state commitment only within the limits stipulated in the annual finance law. In other words the vote of the plan doesn't have a financial effect.

After the plan was abandoned in 1992, the budget was linked to a "note" forecasting the macro-economic and financial situation for the year. The strategic choices were given by His Majesty the King and these choices translated into projects in the budget law. The ability and the dynamism of the different ministries in realizing the projects also influenced the repartition of resources. The technical ministries usually showing a greater ability in the use of resources compared to the social ministries. Structural adjustment programs and international agreements have limited the amount of borrowing.

The budget law includes the General Budget (GB), the special accounts of the Treasury (SAT) and some annexed budget (Table 7). The latter have been maintained only temporarily in the new organic finance law until a better management is found.

The GB is divided in two parts. The first one presents revenues under an administrative and an economic classification. The second one concerns both operating and investment expenditures classified under administrative categories. The operating expenditures presented in section I of the GB include salary expenses and material and other expenses. The investment expenditures are presented separately in section II. Section III gives public debt expenses. It is in a separate budget document called "la morasse" that we find both types of expenditure detailed administratively by chapter (ministry) and article (directorate); functionally by paragraph (program); and economically by line (specific activities within a program). The 1989 new budget presentation aimed at: "becoming an instrument which will make the budgetary decision more clear, allow a better evaluation of the economic impact of the state budget and improve the internal management of services" (Ministry of Finance 1988). Each Ministry has chapters identified with a 4 number code.

In the Moroccan budget process, the allocation of resources to spending agencies gives them a ceiling that the government can not overrun. A rectificatory law is usually required if an amount above appropriation is sought. The bases of "appropriation" is very similar to the French one. It includes four steps: the legal commitment (l'engagement); the verification and evaluation of the expense (la liquidation); the order to make payment (l'ordonnancement) and the payment.

The ministers (ordonnateurs)⁹ can create the commitment for the state finance. The payment is made by the accountant. Usually commitments for which payments have prescripts are not anymore valid at the end of four years to avoid the accumulation of the state debt.

If for expenditure the BL is a ceiling authorized for spending, for revenues the BL is an obligation to collect all receipts provided for in the budget.

The ministries (ordonnateurs) decide and fix the amount of the expense for their departments, and for the annexed budget and special account of the treasury that are linked to them. They have a discretionary power (which they can delegate) but their legal status allows for political, civil and penal responsibilities.

The finance ministry in Morocco has a considerable amount of power. The "a priori" administrative control of the budget is done in Morocco by the CED (contrôle des engagements et dépenses) which is answerable to the finance minister¹⁰

This control deals with: (a) the accuracy of the expense, (b) if the expense is charged to the correct account, (c) the link of the committed expense to an available credit, (d) the adequacy of the expense estimation, (e) the legal regularity and, (f) the commitment potential repercussion on the use of total credit of the current and subsequent years.

After these verifications the financial controller has to give his approval, refuse it or make his comments known within five days after the commitment proposal is submitted. In Morocco, the approval of the financial controller may only be refused on specified grounds: credit is unavailable or insufficient; expense is not charged to the correct account; its estimation is clearly false, it violates existing financial arrangements; it does not obey or violate the text of the status of public workers.

Next to this administrative control, there is the control done by la Cour des Comptes. This institution insures the superior control of the execution of the budget law, the regularity in the operations of receipts and expenses, the control and appreciation of the management of the organisms under its control and reports to His Majesty the King. The president of la Cour des Comptes is nominated by Dahir (El Baz in Melanges, Collectif, 1999). The reports made by la Cour des Comptes are not made available to the public. However in the project to reform la Cour des Comptes, which is expected to go through rapidly, it is explicitly said that the reports are to become available to the public.

Before 1998, the ministry of finance also had de facto the power to block the expenditure of "some" appropriations during the budget year if the government feared that the deficit would go beyond the one announced. The ministry of finance could go also beyond allocated credits for manpower expenditure and debt expenditure. The 1998 organic law reduced significantly the ability of the government to cut expenditure or overrun credits.

The central budget agency in Morocco today is "la Direction du Budget" which we will translate as the budget office (BO). The BO is part of the Ministry of Finance (MOF). If one looks at the November 1978 Decree dealing with the attributions and organization of the MOF, the BO included four departments: operating expenditures, investment expenditures, studies and coordination and local finance. An important change was introduced in 1989. Essentially it consisted in the elimination of the separation between operating and investment expenditure and divided the BO by sectors with unified budgets. More recently in 1997 in the context of a new re-organization a department of normalization of public expenditures was created in order to formulate norms permitting an improvement in credits allocation and follow up¹¹.

At the same time the personnel has been strengthened. The repartition of the total personnel shows that sixty percent of the persons working for the BO are senior staff that is have three to four years higher education or more¹². The BO is reinforcing its computerization started in 1990.

2- Budget Planning

The baseline for spending discussions and decisions in Morocco is the previous year's level of spending. During the last few years in fact the MOF has essentially offered to each spending ministry to renew previous

years budget.

The arrival of the opposition¹³ in 1998 in government has somehow shaken the maintenance of the status quo. However the effective latitude allowed by funds available for repartition among spending ministers and thus the extent of conflict resolution remains limited. Estimates from finance ministry officials in Morocco, indicate that more than 90% of the budget is predetermined by decisions made in previous budget rounds.

In Morocco the budget takes into account expected changes of appropriations to accommodate automatic pay increases within the year as well as some announced price increases such as water, transport and electricity. If all price increases are not taken into account it is estimated that efficiency gains should compensate for them .

The estimation of operating expenses concerns the salaries and material equipment. The evaluation of manpower and estimated credits are based on the existing condition, the jobs created, the establishment of civil servants, the transformation of jobs and the measures of adopted texts. Other data is taken directly from the ordonnateurs for some specific categories of staff.

The estimation of material expenses concerns essentially current expenses of the department (maintenance, water, electricity, telecommunication etc...).

The operating budget includes also the consolidated fund (Charge Commune) which is composed of the retirement and health benefits of civil servants and the subsidies of basic food commodities.

The investment expenditure estimation is based on the minimum program of ministries (projects already started) on new projects and by reference to economic development plans.

3- Budget Comprehensiveness

In the Moroccan budget two entities are outside the general budget. These are called the off budget accounts (Comptes Hors Budget) and the special account of the treasury (Comptes Speciaux du Tresor) and are not a derogation to the idea that money may not be spent unless it has been appropriated in the budget because they are controlled by parliament and voted at the same time as the budget law.

The annexed budget concern state departments whose activities consists of producing goods and services that give rise to a payment. They have concerned the conservation foncière (land registration), the Moroccan radio-television, ports and the official printing agency.

Each budget is composed of two parts: the first one includes receipts and running expenses, the second investment expenses. The balance of the annexed budget appears in the general budget. The new finance organic law of 1998 has temporarily maintained the annexed budget until their replacement by a more appropriate management procedure, but they do not receive any subsidies.

The special accounts of the treasury are accounts that aim at individualizing some activities that could be lost in the budget. The 1998 organic law reduced the SAT from 9 to 6 accounts (see Table 7) and strengthened the condition of their creation and management. Every SAT is managed under specific rules and keeps its balance that is rolled from one year to the next until it is definitely closed. The SAT are written and approved by the BL. The parliament votes these accounts one by one. About half of the SAT funds are VAT receipts which transit from these accounts before going to the local collectivities. Another important share of the SAT are funds originating in the various ministries budget and assigned for the purchase of land for ministries.

In Morocco there are various ways of presenting open ended expenditure within the budget: the vote and promulgation of a rectificatory law¹⁴ and the existence of some estimates that may be exceeded without new

legislation. The credit limitatif constitutes a general principle. Two exceptions: the estimating credits (credits évaluatifs) which are credits covering the "object" rather than the amount of the expense and the provisional credits (credits previsionnels) which are difficult to fix ahead of time were included in the 1963 organic law. They were eliminated in 1972 but the facility was maintained for the reimbursement of debt (interest rate changes) and manpower expenditures. In 1998 these facilities were reduced.

The debt service costs represent also a large share of Moroccan budget expenditure. If we include internal and external debt, the interest payment take up around twenty percent of the state expenditure (11).

4. Stages in the Budget Process

They are typically four stages in the budget process: planning, parliamentary, implementation and ex-post control.

A. Planning Stage

The first stage is the planning process in government. It ends in the submission of a draft budget law to parliament. In Morocco this stage lasts between eight to ten month and can be divided in four steps.

- The first step, which starts early September, aims at preparing a first draft of the budget law. It consists of the budget expense estimation by the sectoral divisions of the budget directorate and of the estimation by various other directorates of the minister of finance and other ministries of tariff revenues (customs office), of tax revenues (tax office), of revenues from public enterprise (public enterprise office), and privatization receipts (Ministry of Privatization). The revenues estimations take into account various parameters linked to the internal and international economic conditions. Based on these estimations, adjustments are made to limit the budget deficit to an acceptable level.
- The second step is the preparation of budget bids. It consists in the submission of the results of step one to government validation. This validation is done in a committee of ministers, representing the different political parties of the government coalition, under the authority of the Prime Minister. The work of this committee lasts one or more weeks and usually reaches consensual proposals which are validated by the government. After this validation is obtained, the Prime Minister sends a letter to the different ministers to confirm the general orientations of the government that will serve as guidance for the establishment of their budgets. This letter is important and included for example for the draft BL of 1999-2000 a reference to the future Plan, the short term program of the government and the necessity to increase the competitiveness of the economy. For the latter it is stipulated that it is necessary to be rigorous in the management of the state revenues. At the same time a letter is send to the ministries specifying the limits within which their expenses have to be included. The MOF sends also a letter inviting his colleagues to communicate to the budget directorate their budget bids.
- The third step is the reconciliation and compilation of budget draft. After the spending ministries bids are received, they are examined and discussed in bilateral committees composed of representatives of the involved ministries and of sectoral members of the budget directorate. Cases of dispute are brought to the arbitrage of the ministry of finance and the concerned ministry and if necessary to the Prime Minister. The results of the discussions of the spending ministries as well as the results of steps one and two are used to produce an almost final document of the BL.
- The fourth step is the finalization of the budget proposal. The draft BL is submitted to the council of minister presided by His Majesty the King. This stage ends with the handing of the draft to parliament.

B. Parliamentary Stage

The second stage is the parliamentary stage and lasts two month and ten days. The structure of the parliamentary stage will depend heavily on whether we have a bi-cameral parliament or a mono-cameral parliament. In Morocco the bi-cameral system is very recent. The first election of the second house was done in December 1997 and the new organic finance law was voted only in 1998. In Morocco, both houses have equal powers regarding the BL and reconciliation involving joint committee of both houses is planned for, if an agreement cannot be reached immediately. The second stage can be divided in three steps.

- The first step consists of the submission of the BL to parliament. As soon as the draft BL is submitted it is immediately send to be studied by one of the parliamentary committee (Zhiri in Melanges 1999). The draft BL has to be put before one of the two assemblies at the latest seventy days before the end of the current financial year. The draft has to be examined successively by the two chambers to adopt a unique text. Every chamber has 30 days to adopt the text.
- The second step consists of the debate of the BL. The MOF has to present it in plenary session before both assemblies. He then presents it again before the finance committee and answers both oral and written questions.
- The third step includes the management of the amendments and the vote of the BL first in the finance committee and then in plenary session. It is essentially during the committees¹⁵ study that budget amendments can be proposed (Zhiri in Melanges, Collectif, 1999). The amendments that can be made are restricted by the constitution which includes dispositions in various articles. The constitution specifies in article 51 that amendments formulated by members of parliament are not receivable when their adoption would lead to either an increase of expenditures or a reduction of revenues. Further article 57 stipulates that the members of each house and the government have the right of amendment. After the discussion is open the government can refuse to discuss an amendment that has not been presented to the parliamentary committees. The government can also call for a vote of the entirety or a part of the budget keeping only amendments proposed or accepted by the government. No amendment is receivable without the government agreement. The constitution stipulates in article 50 (and the organic finance law in article 35) that "In case the BL is not voted or promulgated at the end of the budget year, the government opens by decree the necessary credits to run public offices and to execute their missions according to the terms of the budget propositions submitted for approval. Receipts continue to be perceived according to the legislative and statutory arrangement in effect, to the exception however of receipts which suppression is proposed by the new BL. The receipts for which a reduction of rates was planed will be perceived at the new proposed rate".

C. The Implementation Stage

The implementation stage is primarily the responsibility of the MOF. The BL adopted by parliament, signed by the presidents of both houses is transmitted to the Prime Minister for signature. It is then promulgated by Dahir and published in the Bulletin Officiel.

Various changes have been made in the implementation stage by the 1998 organic law. These changes are described in Table 9 and discussed in the next section.

D. The Ex-post Control Stage

For all practical purposes the ex post control stage of a posteriori accountability is lacking in Morocco since the reglement law (Loi de Règlement) has never been voted before five years of the corresponding budget law¹⁶. Normally, within two years of the end of the BL, the settlement law approves the differences between the results and estimation of the BL. It actually sets the final receipts and expenses. They are usually big differences between estimation and realization. Concerning for example the settlement law of 1988, the error margin for public investment was thirty four percent, the government could only spend sixty six percent of the initial amount. For the social expenses the error margin was fifty five percent (Anas Bensalah Zemrani,

1998). However a program to catch up on the delays has been drawn up. It aims at having a regulation law within the year for the 1999-2000 budget law.

IV. COMPARING THE BUDGET PROCESS BEFORE AND AFTER THE REFORM

1. Changes in the 1996 constitution

In the historical background it was seen that the September 1996 constitution introduced at least four changes that are relevant for the budget : the plan, the region, the status of the government auditing office and the bi-cameral parliamentary system. The 1998 organic finance law and the decree of application of this law confirm these changes by including them in the budget process.

2. Changes in the budget process

Changes have been made in all stages of the budget process.

First in the government or planning stage the text is referring to the development plan and not to the social and economic program. The budget estimation and the preparation of the draft BL have more strict dates attached to them. It also lasts for a shorter time period.

Second, in the parliamentary stage the introduction of a bi-cameral parliamentary system has forced the increase in the number of days allocated to the examination of the draft BL. This increase in the total number of days should not hide the fact that each chamber has now in effect half the time it had before or one month instead of two. Also the reform gives a new role to the BL which is the safeguard not only of the financial but also of the economic equilibrium which it defines.

Third, in the implementation stage the expenditure management is significantly revised.

a) Some regulations has been strengthened to allow for a better control of the amount and use of funds.

Credit overrun has been strictly forbidden for salary expenses. If for example a salary raise is negotiated with the syndicates by a given ministry, the raise will have to wait for the coming year.

The use of funds in the item foreseen expenses and accrual appropriations is restricted.

The funds voted in the BL are not anymore automatically carried forward. It is now possible only to carry forward funds that have been committed by a contract.

The annexed budget are to be eliminated and do not receive subsidies and the management of the SAT has been rationalized as well as their number of the reduced. The hiring of the non appointed person remunerated on the budget or the SAT has to be approved by the MOF.

b) The role of parliament has been strengthened. The government is not anymore allowed to pen supplementary credits during the financial year without the habilitation of the parliament and the parliament has to be informed of any expense suspension.

c) The management of some items has been made easier through the softening of regulation.

The credit transfer among articles and paragraphs require norms only a departmental order of the MOF instead of a decree of the PM.

The financial aid management is facilitated by the possibility to launch projects as soon as an agreement has been reached with the donors. This concerns specially the funds of the European Union.

The management of employment expenses is also facilitated by the increased possibility to transform vacant position and to move positions inside and between ministries.

The changes in this context are linked to a desire to reduce the wage component of the budget which represented in 1996 forty percent of total expenditure and 10.7 percent of GDP (see Table 3A, 3B). The goal is to diminish the amount of salaries expenditure to 9.2 percent of GDP.

3. Other related changes

As mentioned in section III the changes in the allocation of funds to local governments is an important step toward a greater efficiency in the use of funds. The reduction in the arbitrary allocation of funds among local government should permit a better redistribution of funds to the localities that needs them the most and the increase in the decision autonomy should allow for a better choice of projects to be funded.

Another related change is the reform of the way bids for government projects are conducted and monitored. This permits a greater degree of transparency and, if some problems remain, has already influenced significantly the outcome of the bids.

There is an increased recognition in Morocco of the problem of corruption and its detrimental impact on the economy. The government is making the fight against corruption one of its priority and this will help reduce the problem.

V. ASSESSMENT OF BUDGET INSTITUTION BEFORE AND AFTER THE

1998 REFORM

1. Methodology

As mentioned above the paper uses the questionnaire developed by Hadi Esfahani (1999) to document factual information about Morocco's budgetary procedures. Based on the answers to the questionnaire, indices measuring how effective budget institutions are in maintaining fiscal discipline are constructed. This fiscal discipline has ideally to be reached while achieving both allocative and technical efficiency in the budget process and indices evaluating these two aspects are also given.

The questionnaire includes 42 questions, 24 of which concern aggregate discipline, 10 allocative efficiency and 8 technical efficiency. The score on each question ranges between 0 and 1 with a score closer to 1 representing a greater degree of effectiveness of the budget procedures. A detailed description is given in Esfahani (1999).

The answers concerning Morocco were obtained from various studies and official publications of the Kingdom Ministry of Finance, from the personnel involved in various stages of the process and from available data. The answers that could not be found in existing documentation or legal sources were obtained through interviews of

at least three employees. The data given in Table 10 to 18 is obtained from the

Ministry of Finance, various reports of Bank al Maghrib and from the IMF Morocco

statistical appendix (1998).

2. Results of the Assessment of Budget Institutions

A. Aggregate Fiscal Discipline

In Morocco the budget process is highly dominated, before the legislative stage by the central budget agency, here the Budget Office. At the level of governments, before the writing of the draft budget law ministers agree on the general features of the budget.

Furthermore at the legislative stage, constitutional rule forbids amendments that either increase deficit or spending. This has permitted a sharp reduction of the budget deficit, once this was decided by the government. The scores for the aggregate budget discipline are relatively high on most institutional arrangements, except for the macroeconomic program. The latter's score is low before 1998 because the budget process was guided by an annual plan and also after 1998 because the program only provides a basis for budget discussions in the year in which it is drafted. When the effectiveness characteristics are analyzed, the budget scores low on the comprehensiveness of the budget, on ex-post restraints, on accountability and on the education level of decision makers.

Ex-ante Agreements

The ex-ante constraints are "laws, social norms, constitutional clauses and the like that restricts the decision powers of policy makers and predetermine certain budgetary outcomes by placing bounds on spending or deficits" (Esfahani 1999).

In Morocco the debt and deficit limits imposed by international agreements and constitutional requirements restricting amendments to those that will not raise the expenditure or reduce the revenues have been very effective in lowering the budget deficit. However, as mentioned earlier, this result has been obtained mainly through a stagnation of investment expenditure and through the provision of poor social services (see Table 3A, 3B).

The effectiveness of the ex-ante constraints is reduced because of the government political commitment to subsidization of food prices, the large share of wages in the total expenditures, the non accountability of policy makers for the budget outcome (the regulation law is published with delays and the government audit results are not published) and the absence of sanctions. The size of the SOE also lowers this effectiveness through the non reduction of current subsidies (see Table 4 and 5).

The multi-annual macro economic plan is expected to improve the effectiveness of the ex-ante constraints but it has only recently been reintroduced and its impact on the budget law, if we exclude a more clear perception of the macro-economic goal, is not clear since it does not imply any financial commitment.

Coordination mechanism

To achieve coordination, the Moroccan budget uses both ex-ante agreements among cabinet ministers concerning the global characteristics of the budget and delegation of responsibility to the Ministry of Finance for the design and implementation of the budget.

In Morocco the Ministry of Finance (MOF) is reputed to have "too much power". The MOF holds bilateral negotiations with other ministries but his view dominates. This is reinforced by the fact that information is most often lacking. In Morocco as in other developing countries the Minister of Finance has a greater authority than other ministries. This power is reinforced by the fact that the legislature can not make changes that would either increase or decrease the deficit.

The ex-ante agreement that prevails in Morocco is the acceptance by the cabinet of the broad aspects of the

budget law before any bilateral negotiations are held. This does not mean that there are no disagreement possible as ministers discuss global internal and external conditions before setting the global framework for the budget law. For the 1999-2000 budget law for example, inside the government we could find both proponents of a rigorous policy and proponents of larger deficits.

Effectiveness characteristics of aggregate fiscal discipline institutions

The weakness of the score concerning the budget comprehensiveness stems from the large size of the SOE and their exclusion from the BL. In particular the investment made by the SOE does not appear in the BL and the wages of workers appear only when the SOE does not have sufficient funds to cover the wages. The local government budget appear also in the State's budget only insofar as thirty percent of VAT receipts were transferred from the State to the local government. Furthermore the funds set aside for accrual appropriations and unforeseen expenses were used relatively freely until the 1998 reform.

The delays in ex-post reconciliation, the absence of sanctions, the unavailability of information have a strong negative impact on the accountability score. The improvement in the score after the reform results from the assumption made in the study that the commitment of the budget office to the catching up on ex-post reconciliation is successful. The computerization program underway for more than a decade (Al Maliya, 1998) and the progressive assimilation of the use of computers by the personnel should render information more easily and more quickly available.

The low score for the ex-post restraint results from the fact that the budget law allowed credit overrun in the case of debt payments and salaries expenses. Also it is accepted that nominal salaries can not decrease in the public sector. The overrun for salaries expenditure which was permitted until 1998, is not allowed anymore. This has led to an increase in the score for ex-post restraints after the reform.

The expected tenure of central budget agency heads is relatively high. Since independence we had nine budget agency heads, which makes for an average tenure of more than four years. The budget directorate is well endowed with staff with appropriate education level as sixty percent of them have at least four years of higher education (Al Maliya, 1998) .

The score for the hard budget constraint is relatively high because the public enterprise and the local collectivities do not usually get the government warranty to borrow and do not have the possibility to be bailed out by the government in case of difficulty.

The score on the autonomous segment of the budget is high since there is no real commitment for salary increases and for social spending. The government allows for some automatic adjustment in some categories of public expenditure. There is an implicit commitment in Morocco that nominal salaries may not decline but no commitment to employ any determined group in the population. There has however been some pressure for the employment of doctorat holders.

B. Allocative Efficiency

The score for the allocative efficiency are very low, both before and after the reform. The main institutional mechanism that can reduce the adverse effects that delegation and ex-ante agreements can have on allocative efficiency are: prioritization through objective criteria, participation of line agencies in planning, flexibility of line ministries and breadth of consultation. The performance of these allocation mechanism is affected by a number of factors.

The use of cost benefit analysis in the assessment of programs and activities is used very little and the national development plan has only recently been reintroduced. The use of objective criteria is not effective because sanctions are absent and accountability weak. This should improve after the reform of la Cour des Comptes as reports will become public and accountability will increase. Other factors that are detrimental to

prioritization is that the agencies can write their capital budget without specifying how this will affect operational costs and that no ex-post performance evaluations are undertaken on major programs. The budget personnel is however now trying to push for a closer link between the two.

The line agencies do not participate in the planning process and this is reflected in the score obtained. The role of the line agencies has changed somehow after the reform. The flexibility of the line ministries over the use of funds has globally decreased after the reform.

The consultation of groups other than the line agencies exist in Morocco, however its efficacy is still low and did not change after the reform.

The overall score of allocative efficiency, if it improved after the reform is still very insufficient. Even if consultation exists, the process lacks accountability and the line ministries are absent from the planning stage.

C. Technical Efficiency

The salaries in the administration in Morocco are lower than the ones of the private sector. Various studies (among which those published by La Vie Economique) compare the salaries for equivalent education and responsibility. If the private sector pays only slightly higher salaries at the beginning of employment, the difference increases with tenure. The security and condition of employment in the civil service are still attractive and the government is able to recruit good professionals. However the little room for promotion is not conducive to increased performance.

The agency autonomy is very low even if it has been reinforced with the introduction of the SEGMA and can be expected to increase.

The overall score for technical efficiency is low and has not been changed by the reform.

VI. CONCLUSION

Overall the structure of the Moroccan budget and the institutional framework in which it operates influenced significantly the outcome of the stabilization policy of the 1980's. In fact the institutional framework has allowed the government to significantly control the budget deficit without sufficient regards to allocationnal and technical efficiency. The 1998 new organic law has reinforced the ability of the government to continue the pursuit of the existing policy even if some claim that it has mainly put into law practices that were already in effect.

In fact the 1998 reform has permitted an improvement in the effectiveness of the budget process. This improvement is very small and concerns essentially the aggregate fiscal discipline and to a lesser extend the allocative efficiency. The change does not appear to be sufficient to face the challenges awaiting the Moroccan economy and further efforts will be required.

Further improvement can be obtained from actions that are relatively "easy" to implement such as the increase in the availability and diffusion of information. Other required actions will be more difficult to put into effect such as the introduction of explicit sanctions for poor performance.

The various reforms that the government plans to undertake will address some but not all of the changes required to improve efficiency in a significant way.

The rehabilitation of the Plan offers an opportunity to increase the effectiveness of the budget process and to correct some of the weaknesses such as the participation of line agencies in planning. Even if efficiency

improvement is highly desirable and necessary, one of the constraint that will remain for some time, unless new sources of revenues are found, is the very limited amount of resources available once the "incompressible" expenditures are met.

*This paper has greatly benefited from the information and support I have received from Hadi Salehi Esfahani of the University of Illinois at Urbana- Champaign. I am very grateful to Clive Gray of HIID and Berrada Abdelkader of Mohamed V University for extensive comments on an earlier draft. The paper benefited greatly from the information and explanations given by Ahmed Essaghir, Adjunct to the Budget Director, Bennani, Adjunct to the Budget Director, Abdelaziz Adnane, head of staff of the social sectors section of the Budget Directorate, Zoheir Chorfi and Bouami of the Treasury Directorate.

End Notes

1 The Zekat was levied on herd and money, the Achour was levied on productive land and based on harvest and fruits the sovereignty taxes are the Djezya, the kharadj, the naïba, the Harka, la Mouna, la Sokhra, la Ghorama, la Dheïra. The Djezya was paid by conquered nations not converted to Islam; the Kharadj was paid by conquered nation for the right to cultivate their land; the Naïba was a tax used to pay extraordinary expenses due to war; the Harka was the amount asked by the Sultan to a tribe when he was undertaking an expedition; the Mouna was the provision of food to the armed forces of the Sultan; the Sokhra was a commission paid to a civil servant who was staying in the tribe; the Ghorana was the amount a tribe had to pay if a theft or crime occurred on the tribe territory ; the Dheïra was fine for an offense.

2 Tertib is a tax on agricultural revenues. It means "arrangement" and it aims at fiscal reform by the removal of religious taxes. It was replaced after independence by an agriculture tax.

3 The Constitution is available on the Moroccan Ministry of Communication Site :

<http://www.mincom.gov.ma>

4 Charte Communale of 1976

5 Art 5 of the Dahir n° 1-76-584 of 30/9/1976 dealing with the organization of local governments finances.

6 Dahir n°1-85-347 of December 20, 1985

7 Circulaire du Ministère de l'Interieur n°/DFL of 4-1-1996 relative to the preparation of the local governments budgets for the transitory period going from January 1996 to June 1997.

8 The French quotations throughout the text have been freely translated to English.

9 Article 64 of the Royal Decree of 1967 on public accounting .

10 Decree of December 30, 1975 relative to the CED.

11 The B.O is organized as follows. The Budget Director has one General adjunct Director and three other adjunct directors. The 1st one is charged with the coordination of the sectoral and synthesis structure. It includes the following departments : the agricultural and subsidies, social infrastructure, productive sectors, administrative and coordination & synthesis. The second one is charged with the coordination of the staff structures, of local finance, of normalization, information system and human resource. It includes the following departments : state, state owned enterprise and local government employees, local finance, normalization of public expenses and information system. The Third one is responsible for the coordination of the structures of the public project finances. It includes the following departments : multilateral financing and bilateral and regional finance.

12 Al Maliya : Bulletin d'Information du Ministère des Finances, du Commerce, de l'Industrie et de l'Artisanat. N°12 available at the Ministry of Finance site <http://www.mfie.gov.ma>

13 A new prime Minister, formally in the opposition was nominated March 14 1998.

¹⁴ In Morocco since independence, rectificatory laws were voted in 1971, 1979, 1983, 1990 and 1994.

¹⁵ Within the parliament 12 committees exist, the finance committee being the most powerful one. The actual number of representatives in the commission is calculated on the basis of the representativeness of each parliamentary group in parliament. It has to be between 15 and 54.

¹⁶ As of December 1999 the regulation law published in the Bulletin Officiel is the 1992 regulation law.

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Table 1A: Government Revenues 1980-1990
In Millions of DH

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Current revenues	17838	20476	20476		23469	26746		32747	41050		50976
Direct taxes	3650	4116			5258	6003		7621	8977		13898
Custom duties	4208	4943			4714	4799		4644	7295		10026
Indirect taxes	5784	7376			9061	10322		15769	18961		20073
Registration fees and stamp duties	1398	1702			2140	2255		2666	1897		2465
State monopolies	546	1015			610	760		475	1264		1575
Government property	56	55			62	83		97	118		155
Other revenues	901	729			524	786		1016	1798		2184
OCP	1297	540			1100	1783		459	740		600
Privatization	0	0			0	0		0	0		0
Current revenues as a percent of rev	100%	100%			100%	100%		100%	100%		100%
Direct taxes	20%	20%			22%	22%		23%	22%		27%
Custom duties	24%	24%			20%	18%		14%	18%		20%
Indirect taxes	32%	36%			39%	39%		48%	46%		39%
Registration fees and stamp duties	8%	8%			9%	8%		8%	5%		5%
State monopolies	3%	5%			3%	3%		1%	3%		3%
Government property	0%	0%			0%	0%		0%	0%		0%
Other revenues	5%	4%			2%	3%		3%	4%		4%
OCP	7%	3%			5%	6%		1%	2%		1%
Privatization	0%	0%			0%	0%		0%	0%		0%
Current revenues as percent GDP	22,57%	22,04%			20,89%	20,65%		20,90%	22,61%		23,95%
Direct taxes	4,62%	4,43%			4,68%	4,64%		4,86%	4,94%		6,53%
Customs duties	5,32%	5,32%			4,20%	3,71%		2,98%	4,02%		4,71%
Indirect taxes	7,32%	7,94%			8,07%	7,97%		10,06%	10,44%		9,43%
Registration fees and stamp duties	1,77%	1,83%			1,90%	1,74%		1,70%	1,04%		1,16%
State monopolies	0,69%	1,09%			0,54%	0,59%		0,30%	0,70%		0,74%
Government property	0,07%	0,06%			0,06%	0,06%		0,06%	0,06%		1,03%
Other revenues	1,14%	0,78%			0,47%	0,61%		0,65%	0,99%		0,28%
OCP	1,64%	0,58%			0,98%	1,34%		0,29%	0,41%		0,00%
Privatization	0,00%	0,00%			0,00%	0,00%		0,00%	0,00%		0,00%
GDP millions of DH Current Market	74090		92898		112345		154725		181583		212855
%		7%		7%		15%		1%		7%	
Inflation GDP deflator		9,7		7,34		8,42		3,92		3,66	
Percent change											
Prices		72042		78531		87119		91942		103004	
GDP percent change			10%		4%		8%		10%		3%

Table 2: Financing of the budget deficit 1980-1997/98
In millions of DH

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Net Financing	7248		9051	11424		11105	8786		10237	9343	
Domestic Financing	3337		2580	6909		6221	7594		5559	5994	
1.Banks	2888		2197	6703		4490	3570		4600	4414	
3.Non bank	449		383	206		1731	4024		959	1580	
Foreign Financing	3911		6471	4515		4884	1192		4678	3349	
1.Grants	334		226	1010		2508	140		1089	0	
2.Net borrowing	3577		6245	-249		-4831	-11601		-4053	-3973	
a) Tirages	5702		9861	7660		5071	5026		5962	6680	
b) Amortization	-2125		-3616	-7909		-9902	-16627		-10015	-10653	
3.Allègement de la dette					8689	7207		9896	7642		9945
a) Interest					1852	508		2142	1898		2362
b) Capital					6837	6699		7754	5744		7583

	1991	1993	1994	1 Sem 1996	1997/98
Net Financing	5176	7425		9430	6006
Domestic Financing	4898	8382		11541	7254
1.Banks	3010	2343		8109	552
3.Non bank	1888	6039		3432	6702
Foreign Financing	278	-957		-2111	-1248
1.Grants	0	842		270	0
2.Net borrowing	-3174	-1799		-2381	-1248
a) Tirages	6254	7701		7658	3203
b) Amortization	-9428	-9500		-10039	-4451
3.Allègement de la dette	3452				
a) Interest	713				
b) Capital	2739				

Table 3A: Government Expenditures 1980 - 1990
In Millions of DH

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Expenditure		28936		30224		37072		41697		55412	
1. Current expenditures		18898		22820		28767		32032		41090	
a) Administrative expenditure		13872		16347		18008		21984		27352	
Wages		9330		11420		13222		15509		19814	
Other		4542		4927		4786		6475		7538	
b) Public debt		2924		4841		8066		9416		12042	
Domestic		694		997		1927		3070		4672	
Foreign		2230		3844		6139		6346		7370	
c) Subsidies		2102		1632		2693		632		1696	
Transfers to Local Governments	0		0		0		0		0		3591,6
C.L.)		-1060		-1738		-2021		715		2733	
Solde of ordinary budget (n.c TVA)	-117		1		-1820		-1995		3285		4374,4
	7395		11113		6968		11346		11682		15492
	-7512		-11112		-8788		-13341		-8397		-7526
	264		2061		-273		4555		-1840		-1473
	-7248		-9051		-9061		-8786		-10237		-8999
Total Expenditure		1		1		1		1		1	
1. Current expenditures		65%		76%		78%		77%		74%	
a) Administrative expenditure		48%		54%		49%		53%		49%	
Wages		32%		38%		36%		37%		36%	
Other		16%		16%		13%		16%		14%	
b) Public debt		10%		16%		22%		23%		22%	
Domestic		2%		3%		5%		7%		8%	
Foreign		8%		13%		17%		15%		13%	

Table 3A continued

c) Subsidies	6%	7%	6%	5%	7%	7%	4%	2%	3%	3%	2%
(1)		0%		0%		0%		0%		0%	
Solde of ordinary budget(y.c TVA)	-1%		0%		-6%		-5%		7%		14%
C.L.)		-4%		-6%		-5%		2%		5%	
2. Investment		35%		24%		22%		23%		26%	
Solde of the general budget (2)		-38%		-30%		-28%		-21%		-21%	
Variation in arrears		0%		-8%		-2%		-2%		4%	
Budget Deficit		-39%		-38%		-30%		-24%		-17%	
As a percent of GDP											
	31%		34%		29%		27%		27%		27%
	21%		22%		23%		20%		21%		20%
	16%		17%		15%		13%		14%		14%
	11%		11%		11%		9%		10%		10%
	6%		5%		4%		4%		4%		3%
	2%		3%		6%		6%		6%		6%
	1%		1%		1%		2%		2%		3%
	2%		3%		4%		4%		4%		4%
	2%		2%		2%		1%		1%		0%
(1)		0%		0%		0%		0%		0%	
Solde of ordinary budget(y.c TVA)	0%		0%		-2%		-1%		2%		4%
C.L.)		-1%		-2%		-2%		0%		1%	
2. Investment		13%		7%		6%		6%		7%	
Solde of the general budget (2)		-14%		-9%		-8%		-6%		-6%	
Variation in arrears		0%		-2%		-1%		-1%		1%	
Budget Deficit		-14%		-12%		-9%		-6%		-5%	

Table 3B: Government Expenditures 1991-1998

	1991	1992	1993	1994	1995	1 Sem 96	1996 /97	1997 /98
	63065		74351		82015		86585	
1.Current expenditures	33558	51999	38114	59793	42807	33132	47163	73113
Wages	8967	25881	12571	29237	11310	16504	12981	37574
b) Public debt	5443	13527	6270	15817	8683	8100	9564	17274
.Foreign	1192	7539	1918	8080	2745	4198	3266	7369
Transfers to Local Governments	4025,7		4383		4746,3		5431,2657	5913
C.L)		11671		10155,869		5435		7
Solde of ordinary budget (n.c TVA)	3475,3		9199,397		548,284		6781,78	
2.Investment		16998		19005		8407,1		7
Solde of the general budget (2)		-5327		-8849,131	14385,416		-6673,22	
Variation in arrears		151		-289		-3034		-1407
	-7750		-7425,603		-9262,416		-6464,22	
As a percent of Total Expenditures								
	1		1		1		1	
1.Current expenditures	53%	75%	51%	76%	52%	80%	54%	78%

Table 3B continued

Wages	39%	38%	34%	37%	38%	40%	39%	40%
	14%		17%		14%		15%	
b) Public debt		20%		20%		19%		18%
	9%		8%		11%		11%	
.Foreign		11%		10%		10%		8%
	2%		3%		3%		4%	
Transfers to Local Governments		6%		6%		6%		6%
C.L)		17%		13%		13%		8%
	6%		12%		1%		8%	
2.Investment		25%		24%		20%		22%
	-12%		-8%		-18%		-8%	
Variation in arrears		0%		0%		-7%		-1%
	-12%		-10%		-11%		-7%	
As a percent of GDP								
	26%		30%		29%		27%	
1.Current expenditures		21%		21%		21%		23%
	14%		15%		15%		15%	
Wages		11%		10%		10%		12%
	4%		5%		4%		4%	
b) Public debt		6%		6%		5%		5%
	2%		3%		3%		3%	
.Foreign		3%		3%		3%		2%
	0%		1%		1%		1%	
Transfers to Local Governments (2%		2%		2%		2%
		5%		4%		3%		2%
C.L)		3%		2%		2%		1%
C.L)								
	6%		8%		7%		6%	
Solde of the general budget (2)		-2%		-3%		-2%		-4%
	0%		-1%		2%		0%	
Budget Deficit		-2%		-3%		-4%		-5%

Table 4

Morocco : Current Subsidies to Public Enterprises, 1993-97
(In millions of Moroccan dirhams)

	1993	1994	1995	1 st half 1996 1/	1996-97
Total	1,358	1,351	1,314	710	1,379
ORMVA (agricultural development) 2/	155	152	170	85	199
Centres de travaux (public works)	179	181	196	98	207
ONP (fisheries) 3/	0	0	0	35	0
Other 4/	1,024	1,018	948	492	973

Source : Ministry of Finance.

1/ Transition fiscal year January-June 1996.

2/ Offices régionaux de mise en valeur agricole.

3/ Office National des Pêches.

4/ Excluding subsidies to the Caisse de Compensation, ONICL., and the Caisse Marocaine des Retraites.

Table 5

Morocco : Capital Subsidies to Public Enterprises, 1993-97
(In millions of Moroccan dirhams)

	1993	1994	1995	1 st half 1996 1/	1996-97
Total	3,002	2,939	2,353	1,112	2,141
Bureau de recherches et de participation minière	90	90	90	44	88
Centrale d'achat et de développement de la région minière de Tafilalet et de Figuig	1.5	2	0	0	0
Caisse marocaine des marchés	6.5	7	4	1	2
Centre de développement des énergies renouvelables	6	6	5	2	4
Centres des travaux	28	14	21	4	15
Institut national de la recherche agronomique	72.7	63	59	24	49
Office des aéroports de Casablanca	8	0	0	0	0
Office national de recherche pétrolière	200	200	200	97	196
Office national des chemins de fer	341	345	699	350	686
Office national de l'électricité	800	800	200	0	0
Office national des eaux potables	300	280	0	0	0
Office national marocain de tourisme	90	80	90	44	98
Office national de pêche	4	4	4	10	25
Offices régionaux de mise en valeur	827	825	790	474	856
Office des postes et télécommunications	148	148	148	52	92
Autres	79	75	43	10	30

Source : Ministry of Finance.

Transition fiscal year January-June 1996.

Table 6
Periodicity of the Budget: 1913 – 1999

Years	Periodicity	Number of month
1913-1917	May 1 st – April 30	12
1917-	May 1 st – December 31	8
1918-1930	January 1 st – December 31	12
1931-	January 1 st – March 31	3
1931-1932	April 1 st – March 31	12
1932-	April 1 st – December 31	9
1932-1995	January 1 st – December 31	12
1996-	January 1 st – June 30	6
1996-1999	July 1 st – June 30	12

Table 7
1999 – 2000 Budget Law

In billions of DH	Expenditure Ceilings	Revenues
I- General Budget		
Part 1. Revenues		106.3
Part 2. Expenditure		
Title 1. Operating Expenses	63.4	
Title 2. Investment Expenditures	18.3	
Title 3. Public debt Expenditures	40.5	
Total of the GB	122.2	106.3
II-Annexed Budget		
Moroccan Radio TV Revenues		0.6
Operating Expenses	0.5	
Investment Expenditures	0.1	
Conservation foncière Revenues		0.7
Operating expenses	0.6	
Investment Expenditures	0.1	
Total of the AB	1.3	1.3
III- Special Accounts of the Treasury		
Special allocation accounts	14.8	14.7
International organization adhesion accounts	---	0.05
Monetary operation accounts	0.5	---
Loan accounts	---	---
Advances accounts	---	---
Expenditures on dotations accounts	2.7	2.6
Total of the SAT	18.0	17.9
TOTAL	141.5	125.5
Deficit	16.0	

Source: BL N° 26-99
for the year 1999-2000
BO N° 4704 of July 1st 1999