Revue du Contrôle de la Comptabilité et de l'Audit
ISSN: 2550-469X
Volume 6: Numéro 2

Social inequalities in Morocco and the imperative of financing: What tax policy for the new development model?

Les inégalités sociales au Maroc et l'impératif du financement : Quelle politique fiscale pour le nouveau modèle de développement?

ETTAHIRI Lahcen
PhD Student
National School of Business and Management
Ibn Tofail University, Kenitra
Laboratory of Researches in Management and Organizational Sciences
Morocco
lahcen.ettahiri@gmail.com

BENAZZOU Lotfi
PhD Professor
National School of Business and Management
Ibn Tofail University, Kenitra
Laboratory of Researches in Management and Organizational Sciences
Morocco
benazzoulotfi@gmail.com

Date submitted:: 23/05/2022

Date of acceptance: 11/07/2022

To cite this article:

ETTAHIRI. L & BENAZZOU. L (2022) «Social inequalities in Morocco and the imperative of financing: What tax policy for the new development model? », Revue du contrôle, de la comptabilité et de l'audit « Volume 6: Numéro 2» pp: 129 - 154

Abstract

As part of the national reflection on the new dynamic development model to reduce social inequalities and in view of the repercussions of the covid-19 epidemic, the question of its financing is at the heart of the concerns of the Moroccan authorities.

In this respect, thinking about a financing strategy through an efficient and adapted tax policy comes from its crucial role in the redistribution of wealth in order to reduce social inequalities. Nevertheless, the Moroccan tax system suffers from a number of dysfunctions and shortcomings that make it unfit to meet the challenges and objectives of the new development model.

The aim of this research is to present, on the one hand the imperfections of our tax system, which are sources of tax injustice, and on the other hand to emphasize the important role of fiscal policy in reducing social inequality and financing the economic and social development of our country.

Keywords: Fiscal Policy; Social Inequality; New Development Model; Financing Strategy; Tax equity.

Résumé

Dans le cadre de la réflexion nationale portant sur le nouveau modèle de développement dynamique permettant d'atténuer les inégalités sociales et eu égard aux répercussions de l'épidémie du covid-19, la question de son financement figure au centre des préoccupations des pouvoirs publics au Maroc.

A cet égard, penser à une stratégie de financement via une politique fiscale efficace et adaptée vient de son rôle crucial dans la redistribution de la richesse dans un objectif d'atténuer les inégalités sociales. Néanmoins, le système fiscal marocain souffre d'un certain nombre de dysfonctionnements et lacune qui le rend inapte à relever les défis et les objectifs du nouveau modèle de développement.

L'objectif de ce travail de recherche est de présenter d'une part les imperfections de notre système fiscal sources d'injustice fiscale et d'autre part de souligner le rôle important de la politique fiscale dans la réduction des inégalités sociales et le financement du développement économique et social de notre pays.

Mots clés : Politique fiscale ; Inégalité sociale ; Nouveau Modèle de Développement ; Stratégie de financement ; équité fiscale.

Introduction

Morocco has adopted in its development strategy the concept of social inequalities which favors the balance between the economic and social dimensions, with the objectives of modernizing the Moroccan economy, strengthening social cohesion and improving the lives of citizens.

However, the general report of the special commission on the development model (CSMD) presented to His Majesty King Mohamed VI may God assist him, revealed a set of findings (more than 9700 testimonies) present the shortcomings of the current socio-economic system in terms of social and spatial inequalities, social inclusion, access to health care and services, despite the achievements and efforts made by the Kingdom during the decade 2000.

Nevertheless, the cumulative achievements in reducing social inequalities and poverty remain very insufficient and there are consequent weaknesses in human development. The Human Development Index (HDI) established by the UNDP in its latest report for 2020, ranks Morocco 121st among 189 countries and territories.

Moreover, the poverty index established by the World Bank, according to the available comparative data, shows that in Morocco the population concerned represented 1% of the total population against 0.4% in Algeria and 0.2% in Tunisia.

Through these indicators we can understand the extent of social inequality in Morocco compared to neighboring countries as evidenced by the GINI coefficient which is located in Morocco at 39.5% in 2014, against 27.6 in Algeria (2011) and 0.309 in Tunisia (2015) and 32.8% in Egypt (2015).

The health shock "the covid-19" has aggravated these socio-economic disruptions in Morocco, it has caused a strong slowdown in economic activity and impacted social inequalities, in this sense, poverty would have been 7 higher and vulnerability multiplied by 2, deepening inequalities.

Nevertheless, this positioning does not reflect the remarkable achievements recorded by Morocco, particularly in terms of the business climate, since Morocco has achieved a 7 place improvement in the Doing Business 2020 ranking (53rd place), compared to 153rd place for Algeria, 78th place for Tunisia and 114th place for Egypt.

Faced with this situation, change remains necessary to design a new development model that aims to establish a dynamic and diversified economy, updated for added value and employment, a development model that ensures strong, inclusive and sustainable growth to encourage productive investment, preserve employment, improve the welfare of citizens, ensure spatial and social equality and reduce income inequality (BENSALAH,1982).

However, one of the greatest challenges of this new development model today is to find the necessary resources to finance it in order to reduce social inequalities, particularly the problem of generalizing social coverage and integrating the informal sector into the economic fabric.

The financing strategies available to the public authorities in this situation are to resort either to borrowing or to taxation, but as long as the debt has reached high levels (the Treasury's debt represents 65.3% of GDP in 2019 and 76% at the end of 2020).

Indeed, the fiscal variable remains the most privileged means to finance this strategic project for our country, which is to strengthen social cohesion. Tax policy is called into question because of its central role in redistribution and therefore in the reduction of inequalities generated by the primary distribution inherent in the current economic system. It can take several forms: a budgetary tool, a factor of economic growth, a means of encouraging investment and a mechanism for reducing social and spatial disparities.

Tax revenues are essential for the success of the new development model, because they provide the public authorities with the financial resources needed to invest in development and reduce inequalities.

In this sense, (BOUVIER, 2020) underlined the importance of taxation in the social policies carried out by the state. It is one of the determinants of the construction and modernization of a country at the historical level and one of the classic financial resources at the financial level and one of the determinants of the realization of the development conditions of a country.

Thus, the problem of financing is at the heart of development policy and this may be aggravated by the state's assumption of responsibility for the social and economic consequences of the COVID -19 pandemic.

Moreover, the importance of fiscal policy in the success of the new development model depends on its ability to take into account the economic and social dimension and its degree of coherence with the objectives of public policies.

For this reason, in his speech on the occasion of the celebration of the Feast of the Throne, the Sovereign announced that the special commission in charge of the development model is required to "*take into consideration the major orientations of the reforms undertaken or in the* *process of being undertaken, in sectors such as education, health, agriculture, investment and the tax system. Its proposals should aim to improve them and increase their effectiveness*".

In this context, this article aims to address the issue of social inequalities and the financing of the new development model through the tax instrument, focusing on the case of the Moroccan tax system. It is essential, therefore, to provide elements of an answer to the main question of the study: **How does taxation contribute to the reduction of social inequalities in the context of the new development model?**

The answer to this question should be approached in three axes. In the first axis, we will briefly review some key concepts and theories of social inequality and its relationship with the development model by presenting the current state of these inequalities. In the second axis, we will highlight, by adopting a documentary study, the impact of the fiscal policy on social inequalities and on the new development model with the presentation of the aspects of the fiscal policy adapted to the financing of this development model likely to mitigate social inequalities. In the third axis, we will present key results by analyzing them.

1. The conceptual and theoretical framework

As mentioned in the introduction, the worsening of social inequalities constitutes a real burden that presents challenges for social cohesion in Morocco. Today, citizens are less and less accepting of these inequalities which have caused suffering expressed by citizens through the media and social networks. The literature on the relationship between tax policy and social inequality is extensive

In order to contextualize and understand the crucial role of fiscal policy as an essential source of financing to provide the necessary means to fight against social inequality within the framework of the new development model, it seems appropriate to recall some data reflecting the persistence of these inequalities in Morocco through a theoretical and conceptual anchoring of this phenomenon.

1.1 The conceptual framework

Social inequality is a phenomenon that weighs heavily on the success of the new development model. It hinders all prospects for human development.

It is complex and multidimensional and not limited to the monetary aspect of income distribution, but also refers to inequalities of access to basic social services, and even to inequalities of opportunity that affect the social mobility prospects of disadvantaged opportunities that affect the prospects for social mobility of disadvantaged populations.

Social inequalities have a multidimensional character, requiring a presentation of its conceptual and theoretical framework, and can take different forms (gap in wages and wealth, exclusion from the labor market, marginalization of certain territory, inequalities related to equal opportunities in access to education and health care ...). A phenomenon of this magnitude requires more conceptual precision. What then is meant by social inequality?

According to (Maurin,2018), social inequality is when a person or a group of persons holds resources, exercises practices or has access to goods and services that are socially hierarchical and that a part of the others do not hold.

The main condition of this definition is that it is not limited only to the monetary aspect of income distribution, but also refers to inequalities of capacity in terms of access to basic social services, and even to inequalities of opportunity or chance that affect the prospects of social mobility of disadvantaged populations. These inequalities may relate to different fields or areas, such as education, health, gender, income, etc.

In other words, social inequality is characterized by the existence of unequal opportunities and rewards for different social positions or status within a group or society. It contains structured and recurring patterns of unequal distributions of goods, wealth, opportunities, and rewards.

In this respect, an OECD study, on 2014, has shown that the increase in income inequality between 1985 and 2005 has caused an average loss of 4.7 points in the cumulative growth rate between 1990 and 2010 in OECD countries. The same conclusion was reached by (Piketty,2013), who pointed out that when the return on capital increases more than economic growth, this leads to an increased concentration of wealth and a continuous decline in aggregate demand, thereby causing a decrease in output and hence in growth.

Moreover, the term social inequality refers to the forms of social inequalities, notably; access to basic socio-economic services, inequalities of opportunity or chance affecting the social mobility of the middle and underprivileged classes.

According to a study conducted by the Directorate of Financial Studies and Forecasting (DEPF, 2018) under the Ministry of the Economy and Finance, social inequalities can take three forms:

- **Inequalities in law:** these provide information on the ability to enjoy economic, social, cultural and environmental rights. They derive their substance from the Universal Declaration of Human Rights

- **Inequalities of chance/opportunity:** reflect the influence of variables linked to circumstances and the environment over which the individual has no control and whose effects are constraining in terms of social mobility.

- **Inequalities of situation/outcome**: reflect configurations where individuals do not have the same levels of material wealth or the same socio-economic living conditions, they are income inequalities.

1.2 The theoretical framework

From a theoretical point of view, the apprehension of the problem of inequalities has given rise to the emergence of two currents of thought (CROSSMAN, 2021). The first current, **the functionalist theory**, has its origins in the work of Emile Durkheim, who considers that inequality is inevitable and desirable and plays an important role in society.

Important positions in society require more training and should therefore receive more rewards. According to this theory, economies characterized by high levels of social inequality are likely to grow faster than those with more equitable income distribution.

In **functionalist theory**, the different parts of society are primarily composed of social institutions, each designed to meet different needs. Functionalism posits that society is more than the sum of its parts; rather, each aspect of it works for the stability of the whole.

Durkheim envisioned society as an organism in which each component plays a necessary role but cannot function alone. When one part goes through a crisis, others must adapt to fill the void in some way (BOYER, 2016).

The functionalist theory advocates the principle of social cohesion and solidarity as a lever for the creation of added value for the whole society. In other words, social cohesion and solidarity were clearly seen as a condition for economic development (DONZELOT, 2007).

The second current, **the conflict theory**, on the other hand, considers inequality as the result of groups with power dominating less powerful groups. They believe that social inequality prevents and impedes societal progress. That is to say, social inequality is like a brake to economic growth in the medium-long term and a factor of weakening of the welfare of society.

Some authors (BRANKO, 2016) believe that the current reality of inequality is explained by the increase in the gap between the wages of the most qualified and those of the least qualified, as a corollary to differentiated levels of education and skills. Other authors consider that the increase in inequality is a development specific to the capitalist system, linked to the rise of neo-liberal currents. The mitigation of these inequalities would therefore require an appropriate regulation of the system as a whole.

In this sense, some authors (LEROY, 2011) consider that one of the consequences of social inequality is fiscal deviance, which means resorting to fraudulent maneuvers to thwart taxation for lack of equity before the tax.

A recent survey by (Dabla-Norris, et al., 2015), demonstrated the negative impact of rising inequality on economic growth economic growth. Indeed, they conducted their survey on a sample of 159 developed and developing countries, the study showed that a 1% increase in the Gini index would reduce the GDP growth rate by 0.07 percentage points. In contrast, other studies have pointed instead to a positive impact of inequality on economic growth.

Some authors defend this theory such as (Kaldor 1955), (Bourguigon 1981) , (Mirrlees 1971), (Lazear & Rosen, 1981) insofar as the granting of tax incentives to the rich would favor capital accumulation and stimulate the innovation process, which would ultimately lead to higher growth and job creation, which would benefit the whole population.

With regard to the idea of the impact of the progressivity of the tax structure, it seems to reduce social inequality to some extent (Paulus, et al., 2009), (Martinez-Vazquez, et al., 2012).

At the international level, the literature recognizes the effect of taxation on the redistribution of income. (Whiteford, 2008) assumes that reduction in inequality is the result of eminent tax collection, rather than structure. Bochier, on the other hand, argues that the progressivity of the system is only a rudimentary criterion for the fight against inequality (Rein & Miller, 1972).

Moreover, (Barnes, 2012) has reopened the debate on the redistributive impact of a progressive tax structure. She even demonstrated the existence of a negative correlation between redistribution and progressivity.

In most countries, cuts in statutory rates have been financed by measures to broaden the tax base, as some studies predict (the elasticity of real investment with respect to the cost of capital can be equal to or greater than 1 (Mintz, 2007), these tax cuts ultimately have a significant impact, as the subsequent broadening of the corporate income tax base could finance part of the rate cuts

(BENMOUSSA, 2019) has advanced since its study that the tax instrument impacts and mitigates inequalities and it is a most important tool for state interventions.

1.3 Diagnosis of social inequalities in Morocco

It is true that Morocco has made remarkable progress over the last two decades through sectoral strategies aimed at the social level, such as the INDH program and the various programs to reduce poverty and precariousness, including RAMED, TAYSSIR, and one million school bags. However, all these efforts remain insufficient in the face of inequalities that still persist.

In order to contextualize and understand the crucial role of fiscal policy as an essential source of funding to provide the necessary means to fight against social inequality in the context of the new development model, it seems appropriate to recall some data reflecting the persistence of these inequalities in Morocco through a theoretical and conceptual anchoring of this phenomenon.

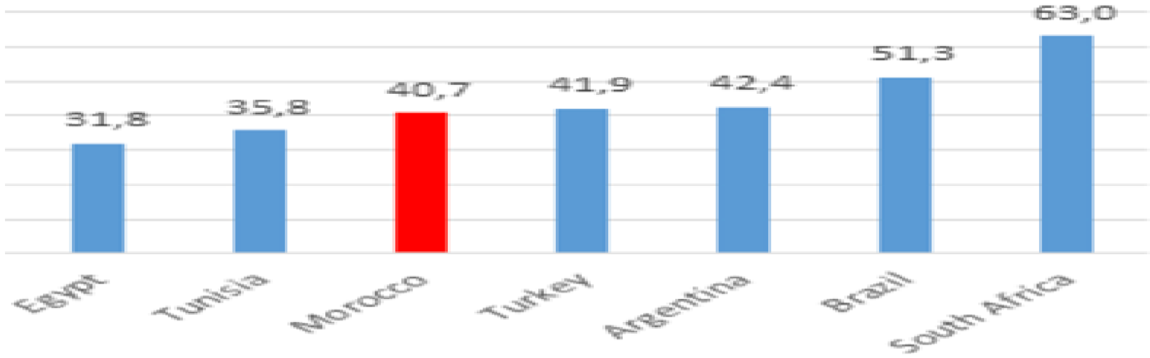
On a global level, the synthetic indicator generally used to measure the situation of inequalities, namely the GINI index or GINI coefficient, despite its limitations[1], shows that Morocco is the most unequal of the Maghreb countries.

Indeed, this index has increased for a quarter of a century, according to the calculation of the World Bank, which means that inequalities have increased. From a value of 0.392 in 1984, it reached a high level of 0.395 in 2014, although it remains above the Tunisian (0.309 in 2015), Egyptian (0.318 in 2015) indices.

The study conducted by Policy Center for the New South joins these findings as it appears on the graph below:

[1] Among the limitations formulated by the World Bank, the diversity of the methodologies used and/or the values measured to calculate them (either consumption expenditure, as is the case for Morocco, or income for other countries). Thus, the World Bank specifies that the distribution of income tends to be more unequal than the distribution of consumption expenditure

Figure n°1: Evolution of the GINI index between 2010 and 2017



Source: DADUSH & SAOUDI, (2019), « Inequality in Morocco: An International Perspective», Policy Center for the New South

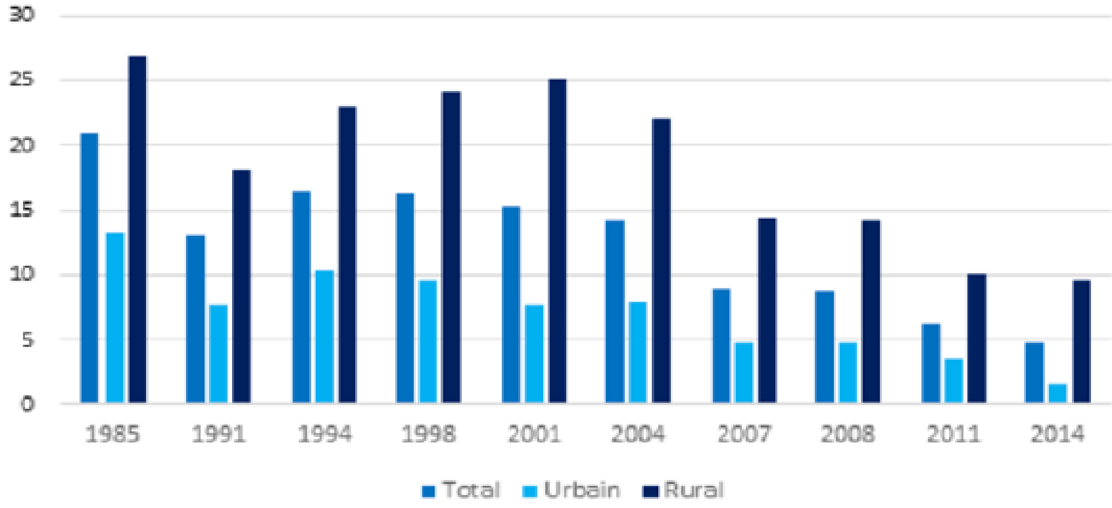
The study carried out by OXMAF MOROCCO agrees with these findings, it finds that the GINI index has increased, which means that inequality has also increased from a value of 0.392 in 1984; it reached a high level of 0.395 in 2014.

Also, the study conducted by the HCP (2016) on the concentration of spending in 2014 also supports the finding of persistent inequalities as reflected in consumer spending:

- The wealthiest half of the Moroccan population (50% of the wealthiest population) realized 75.8% of the total mass of consumer spending, while the other half only makes the remaining 24.2%.
- The fifth quintile (the wealthiest 20% of the population) alone accounted for almost half (47.0%) of total consumption expenditure, while the least wealthy 20% of the population accounted for only 6.7%.
- People belonging to the top 10% of the population account for 31.9% of total national spending.
- The people belonging to the 10% least favored have only 2.7% of the global mass of expenditures at the national level.

The launch by Morocco of several strategies and social programs has improved the living conditions of citizens. Thus, according to HCP data, the poverty rate has dropped from 15.3 in 2001 to 4.8 in 2014 and the vulnerability rate from 38.1 to 12.5 during the same period.

Figure n° 2: Evolution of poverty in all its dimensions



Source: HCP

Poverty and vulnerability remain rural phenomena par excellence in Morocco. Indeed, the HCP statistics show that poverty is centered on the rural area where it reaches 19.4% against the urban area where it reaches 7.9%, but with a decreasing rate compared to the year 2001.

Between 2001 and 2014, the number of poor people fell from 4.461 million in 2001 to 2.755 million in 2007 and to 1.605 million in 2014, recording an average annual decline of 7.7% between 2001 and 2007 and 7.8% between 2007 and 2014.

This downward trend was spread out until 2019, the conclusions of the study carried out by the National Observatory of Human Development (ONDH) which allows to deduce that the absolute poverty rate[2] has clearly decreased since 2001 to represent only 1.2% in 2019, in a context of global improvement of the standard of living of Moroccans, in particular in urban areas.

Nevertheless, poverty, particularly extreme poverty (less than $1.9 per day), is more pronounced in Morocco than in its neighbors: according to the comparative data available from the World Bank, this poverty affects 1% (2013) of the Moroccan population, compared with 0.5% (2011) in Algeria and 0.2% (2015) in Tunisia.

As mentioned in the introduction, Morocco is lagging behind in terms of human development, despite the achievements made. The Human Development Index (HDI) established by the PNUD for the year 2018, shows that there is a progression of 47.7% between 1990 and 2018,

[2] In econometrics: Absolute poverty whose threshold is calculated by increasing the food poverty threshold by the cost of a minimum provision of non-food goods and services. The absolute poverty rate is the proportion of individuals whose average annual expenditure per person is below this threshold.

while the ranking is located at the 121st place, on a group of 189 countries, against 91 for Tunisia and 82 for Algeria.

On the occasion of the publication of the 2020 ranking of countries by social progress index reports[3] a decline of Morocco by 15 ranks although Morocco has improved its scores in sanitation, internet use and higher education.

The decline in human development indices aggravates social inequalities in health, education, research and access to employment. The advent of the coronavirus pandemic (Covid-19) is a tragic demonstration of the drastic state and disastrous consequences of social inequalities in these areas.

In this context, it was necessary to invest more in health and education and the promotion of employment in order to reduce inequalities and poverty. Morocco's figures in these three areas reveal a worrying situation in relation to its neighborhood and comparable countries.

Indeed, the education system has not yet been implemented in a structural manner in view of the widening inequalities in access to education between wealthy and poor families, the World Bank has published a report on poverty in learning showed that Morocco reports a flagrant delay in the rate of school wastage and education spending in the Middle East and North Africa region[4].

Table n°1: Education System Indicators on Poverty in Morocco, October 2019

Indicators	**Chiffre clés relatif au Maroc**
Learning poverty	66% of children in Morocco at the end of primary school are not proficient in reading, adjusted for out-of-school children.
Out-of-school children	55% of elementary school age children are not in school.
Achievement below minimum	64% do not reach the MPL by the end of primary school.
Enrollment rate of children by gender	Boys (5.3%).

[3] The "Social Progress Imperative", a publication of the Social Progress Index, is a ranking of 51 indicators related to health, nutrition, housing, security, education and human rights, among others. These indicators are intended to reflect a society's ability to meet the basic needs of its citizens.

[4] The World Bank has developed the new concept of 'learning poverty' based on a new database developed with the UNESCO Institute for Statistics.

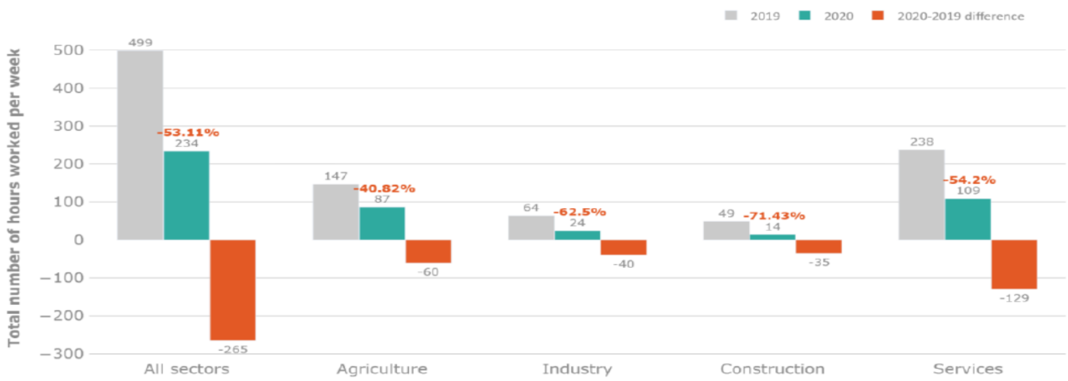
	Girls (5.6%).
Equal chance of reaching the minimum required at the end of primary school	Boys (68.4%). Girls (59%).
Expenditure on primary education per child of primary school age	US$1,624 (in purchasing power parity), 70.7% below the Middle East and North Africa average and 95.1% below the average for the region.

Source: Authors based on the World Bank Learning Poverty Report developed in 2019.

In terms of health, and more specifically access to health services, the world report on social protection published by the International Labor Organization on 2015 shows that there is a gap in this area compared to comparable countries.

With regard to access to employment and with the impact of the health crisis, the unemployment rate is soaring, with a rate of 10.5% recorded during the first quarter of 2020, which is equivalent to 810,000 citizens having lost their jobs. At the end of the second quarter of the same year, the rate climbed to 12.3%.

Figure n°3: Declared job losses in Morocco by sector of activity per week between 2019 Q2 and 2020 Q2



Source: Morocco Employment Lab (2020), covid-19 in morocco: labor market impacts and policy responses

Table n° 2: Comparison of the situation of health coverage and social protection expenditure

Country	Percentage of population without statutory health coverage Social protection provided for by the law	Social protection expenditure (including health expenditure) as % of GDP
Morocco	57,7 (2007)	6,6 (2010)
Algeria	14,8 (2005)	8,5 (2011)
Tunisia	20,0 (2005)	10,4 (2011)

Egypt	48,9 (2008)	11,2 (2015)
Chile	6,9 (2011)	15,3 (2015)
Malaysia	0,0 (2010)	3,8 (2012)
Turkey	14,0 (2011)	13,5 (2014)
Portugal	0,0 (2010)	24,1 (2015)

Source: Authors 'calculations Based on the data collection of the World Social Protection Report 2017-2019 published by the ILO

For this purpose, Morocco is engaged in an ambitious project aiming at the generalization of social coverage initiated by His Majesty King Mohamed VI through the urgent implementation of a plan for the progressive generalization of this coverage in the medium term.

The phenomenon of social inequality negatively affects the indicators of economic and human development of our country, hence the need for a new reflection to overcome the challenges of social inequality and the consequences of the crisis and to initiate a new development path.

The central problem of the implementation of this strategic project lies in the financing because it is necessary to gather the favorable conditions of mobilization of the fiscal potential, in particular, the implementation of a fiscal policy which takes into account the economic and social dimension, which ensures the equality in front of the tax, which favors the consent to the tax.

2. Research Methodology

In this context, we will look at the research methodology used in this article. Firstly, we will detail our epistemological position, positivism, which seemed to us the most appropriate, both for our theme and for our research question. Secondly, we will present the research method adopted, which is based on a qualitative approach. We will then explain the reasons for our choice of this qualitative approach.

2.1 Epistemological position

The first step is to clarify the epistemological position adopted by the researcher. Thus Epistemology is concerned with the study of science. It questions what science is by discussing the nature, method and value of knowledge (Thiétart, et al., 2014).

Epistemological position allows the scientific validity of knowledge to be studied. At this level, there are generally three epistemological paradigms for the methodological positioning of research: positivist, constructivist and interpretivist.

The epistemological positioning then depends on the nature of reality, the nature of the subject/object relationship and the nature of the context in which the researcher finds himself. The object of our research is part of a positivist epistemological vision which aims to analysis and explore an already existing reality.

2.2 Documentary study

There are several methodological approaches in economics: testing and exploration. Our adopted research methodology is an exploratory one based on literature review, content analysis of official reports and studies, based on the results and statistics presented in these reports. The results collected from our documentary study will be presented in the following section.

3. Results and discussions

3.1 The role of the fiscal instrument in reducing social inequalities by financing strategy of the new development model

In this context, we can mention the function of regulating the economy through the orientation of the economy towards sectors targeted by the general policy, such as industry, real estate, agriculture, startups and innovation.

Furthermore, the importance of fiscal policy in the success of the new development model depends on its ability to take into account the economic and social dimension and its degree of coherence with the objectives of public policies.

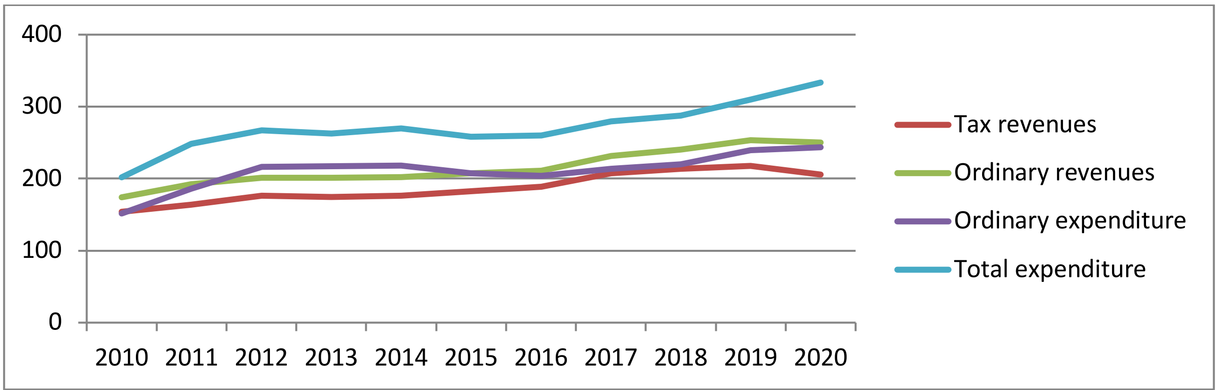
For this reason, in his speech on the occasion of the celebration of the Feast of the Throne, the Sovereign announced that the special commission in charge of the development model is required to *"take into consideration the major orientations of the reforms undertaken or in the process of being undertaken, in sectors such as education, health, agriculture, investment and the tax system. Its proposals should aim to improve them and increase their effectiveness"*.

Hence the central role of fiscal policy in the initiation of the new development model, as an engine of development and an incentive for the different sectors of activity.

It is a mechanism for reducing social inequalities through the principle of tax equity. An unfair tax system encourages tax evasion, aggravates social inequalities and prevents tax consent and acceptability. Tax policy is then conceived exclusively as a means of optimally reallocating the resources needed to implement sectoral development projects.

In 2020, net tax revenues amounted to 144.8 billion dirhams, representing nearly 93% of ordinary revenues and covering nearly 94% of the ordinary expenditure of the general state budget. The continued growth of these revenues, despite the effects of the crisis of the covid-19, has allowed dealing with a large proportion of the continued increase in state expenditure.

Figure n°4: Evolution of ordinary revenues, tax revenues, ordinary expenditure and total expenditure 2010-2020 (in billion DH)



Source: Authors'calculations based on data from the TGR's Public Finance Statistics Bulletins.

It is known that tax revenue responds to the need to finance public expenditure, but the table below shows that over the last ten years, the share of tax revenue in ordinary revenue has remained relatively stable at around 90%, while the coverage of ordinary expenditure by tax revenue has declined.

Table n°3: Evolution of the main components of the State Budget over the period 2010-2020 (in billion DH)

Année	Tax revenues (TR)	Ordinary revenues (OR)	TR in % of OR	Ordinary expenditure	TR in % of OE	Total expenditure	TR in % of TE
2010	154,0	174,1	88,4	151,6	101,6	201,83	76,3
2011	163,6	191,9	85,2	185,7	88,1	248,2	65,9
2012	176	201,6	87,3	216,8	81,2	267	65,9
2013	174,2	201	86,7	217	80,3	262,3	66,4
2014	176,2	201,8	87,3	217,8	80,9	269,4	65,4
2015	182,2	207,4	90,2	207,3	88,3	258	70,6
2016	189	210,8	89,7	203,6	93,6	259,6	72,8
2017	207,5	231,1	90	213,6	97,2	279,2	74,3
2018	213,7	240,3	88,9	219,8	97,3	287,23	74,4
2019	217,7	253,4	85,9	239,8	90,8	310,1	70,2
2020	206,0	249,8	68,2	243,6	84,5	330,5	62,3

Source: Authors' calculations based on data from the TGR's Public Finance Statistics Bulletins.

Indeed, from a coverage situation of 101.6% in 2010, coverage rose to about 88% in 2011 and then to nearly 80% in the years 2012 to 2014 before experiencing a slight increase to about 93.3% between 2015 and 2020 thanks to the control of compensation expenditure and the good performance of tax revenues.

It can be deduced that, despite the improvement in tax revenues, their level remains clearly below the desired ambition to cover public expenditure, the level of coverage of which does not deviate on average from the rate of 70%, which requires recourse to debt.

However, the high level of indebtedness, especially with the measures taken by the Kingdom to mitigate the effects of the Corona virus pandemic (the debt of the Treasury represents 76% of GDP in 2020 and is expected to reach 77.70 in 2021) knowing that the needs of financing do not cease to increase, in particular the essential social needs, whose delay threatens the social cohesion of our country, and the structural needs to stimulate the economic activity

It is within the framework of these constraints, and taking into account the unprecedented consequences of the crisis of the covid-19, Morocco can only count on its internal resources, the only valid option in the long term, and among its internal resources, we find taxation.

Nevertheless, this taxation must be used in conjunction with other fiscal and monetary policy measures so as not to have a "crowding out effect" on the fiscal resources that should be allocated to meeting social needs and financing the new development model.

3.2 Diagnosis of the Moroccan tax system: main reforms and tax revenue structure

The 1984 framework law was the starting point for the establishment of a modern tax system centred on the three main state taxes, namely the IS (in 1987), the VAT (in 1986) and the IR (in 1990), as well as the reform of local taxation (in 1989) with a large number of modifications, which made the tax system complex and inconsistent.

At the end of 1999, the first tax conferences were held and recommendations were made, notably in the direction of simplification, coherence, transparency and harmonization, which enabled Morocco to adopt a single general tax code in 2007.

Between 2008 and 2010, a series of changes have marked the tax system such as the reduction of the rate of the IS, which went from 35% to 30% in 2008 (39.6% to 37% for financial institutions) and the last of the IR scale since the marginal rate of the IR went from 42% to 40% in 2009 and to 38% in 2010, a rate that is still applicable.

At the same time, the exemption threshold has increased from 24,000 DH to 28,000 DH in 2009 and to 30,000 DH in 2010, and the tax thresholds at the marginal rates have been raised from 120,000 DH to 150,000 DH in 2009 and to 180,000 DH in 2010.

Secondly, and in order to cope with budgetary constraints in the face of social demands, Morocco has instituted two key concepts, namely the social solidarity contribution and tax amnesty.

In this respect, the institution of solidarity contributions for legal entities and individuals and new taxes to feed, in particular, the social cohesion support fund and to implement the recommendations of the national conference on taxation, the tax amnesty on fines, surcharges and penalties in 2013, the tax amnesty on assets and cash held abroad in 2014, and a second amnesty on fines, surcharges and penalties and the one concerning general income, In 2013, a tax amnesty on fines, penalties and surcharges, in 2014, a tax amnesty on assets and cash held abroad, and a second amnesty on fines, surcharges and penalties and on income generated by assets and cash held by natural persons resident abroad.

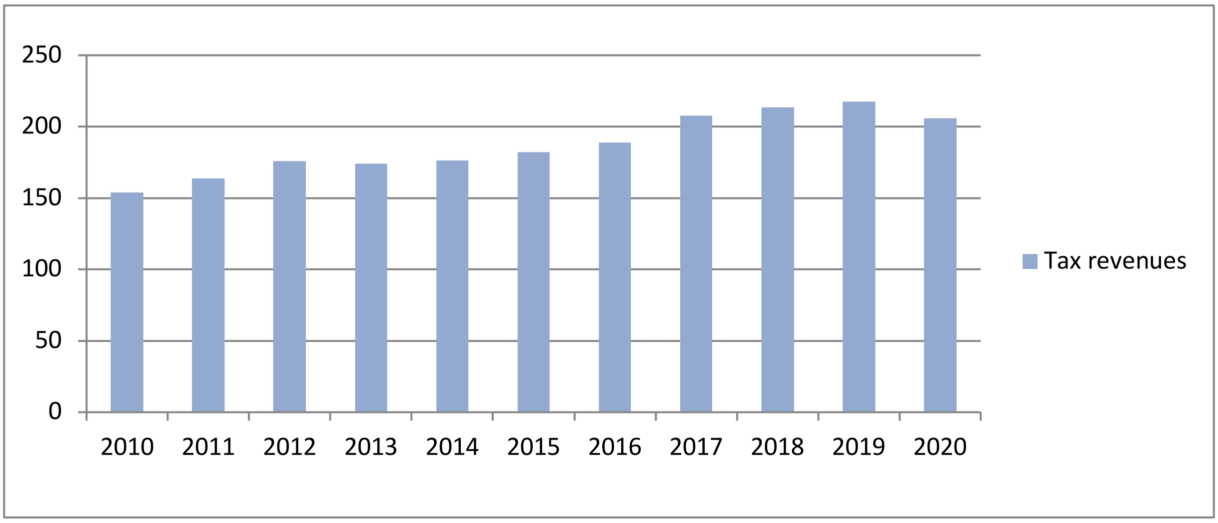
Then in 2020, an exceptional year, known as the year of covid-19, saw the introduction of a series of tax measures aimed at feeding the special fund for managing the covid-19 pandemic and supporting the cash flow of companies and households.

At the same time, the voluntary regularization of the taxpayer's tax situation, the contribution in full discharge of fines relating to payment incidents on check and the spontaneous regularizations of assets and cash held abroad. Finally, in the finance law 2021, the introduction of a third amnesty of fines, surcharges and penalties in order to mitigate the economic and social impact.

Within the framework of the enlargement of the tax base to improve tax revenues and fight against the informal sector, several reforms have been initiated, notably, the institution of the incentive system aiming at integrating the formal sector into the organized economic fabric in order to contribute to the economic activity, an approach that has been extended by the establishment of the self-employed entrepreneur regime, and the taxation of the agricultural sector (RAISSOUNI, 2021).

All these reforms of the Moroccan tax system have made it possible to improve the level of tax revenues and to change their structure.

Figure n°5: Evolution of tax revenues 2010-2020 (in billion DH)



Source: Authors 'calculations based on data from the TGR's Public Finance Statistics Bulletins

Over the ten-year period, tax revenues have seen a sustained increase from 154.0 billion DH in 2010 to 176.0 billion DH in 2012 and a near stagnation in 2013 and 2014 before recovering from 2015 to 2019. For 2020, the level of tax revenues decreased due to the effects of the health crisis.

Despite the contributions of these reforms to the Moroccan tax system, there are still dysfunctions related to this tax system, which does not meet the requirements of economic development in Morocco. The following table summarizes these dysfunctions, which render it unfit for the objectives of the new development model, such as the reduction of inequalities.

Table n°4: The top ten indicators of tax system malfunction

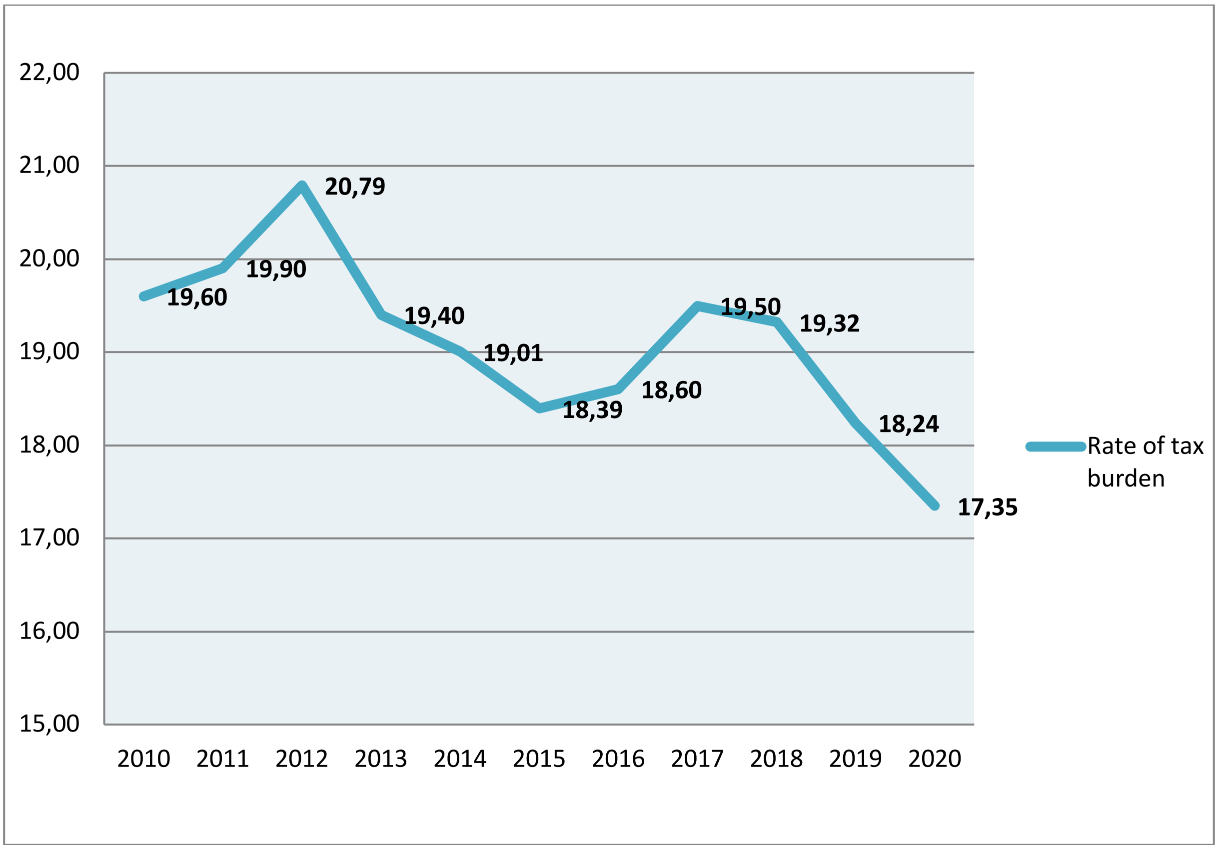
The indicator	**Comment**
21,15	The tax pressure rate (base year 2017)
73%	Income tax revenues come from civil servants and employees
2%	Of companies pay 80% of total CIT
80%	Of VAT is paid by 1.6% of taxpayers
5%	Of income tax revenues come from professional income
3%	Professionals pay 50% of business income tax
50%	Of the revenues of the three main state taxes come from 140 companies
46%	Only companies report, of which 33% report profit
12-20%	The rate of tax compliance in terms of filing returns for certain liberal professions
Un milliard de dirhams	The annual cost of tax expenditures

Source: Authors' compilation from the report of the Economic, Social and Environmental Council (ESEC), 2019.

The particularly strong efforts in base broadening are aimed at not raising tax rates, a measure that will have an impact on the tax burden felt by the taxpayer. In this context, and in order to analysis the relationship between the level of taxation and growth, Barro has shown that tax policy encourages economic growth up to a certain tax threshold, but above this threshold, it generates negative externalities that retard this growth (AJAIR, 2020).

Therefore, tax burden always has an effect on income equality and economic growth in any country, according to the Economic, Social and Environmental Council (EESC), the achievement of a high rate of economic and social growth in each country is conditioned by the improvement of tax conditions, notably the reduction of the marginal effective tax rate and the reduction of the tax burden.

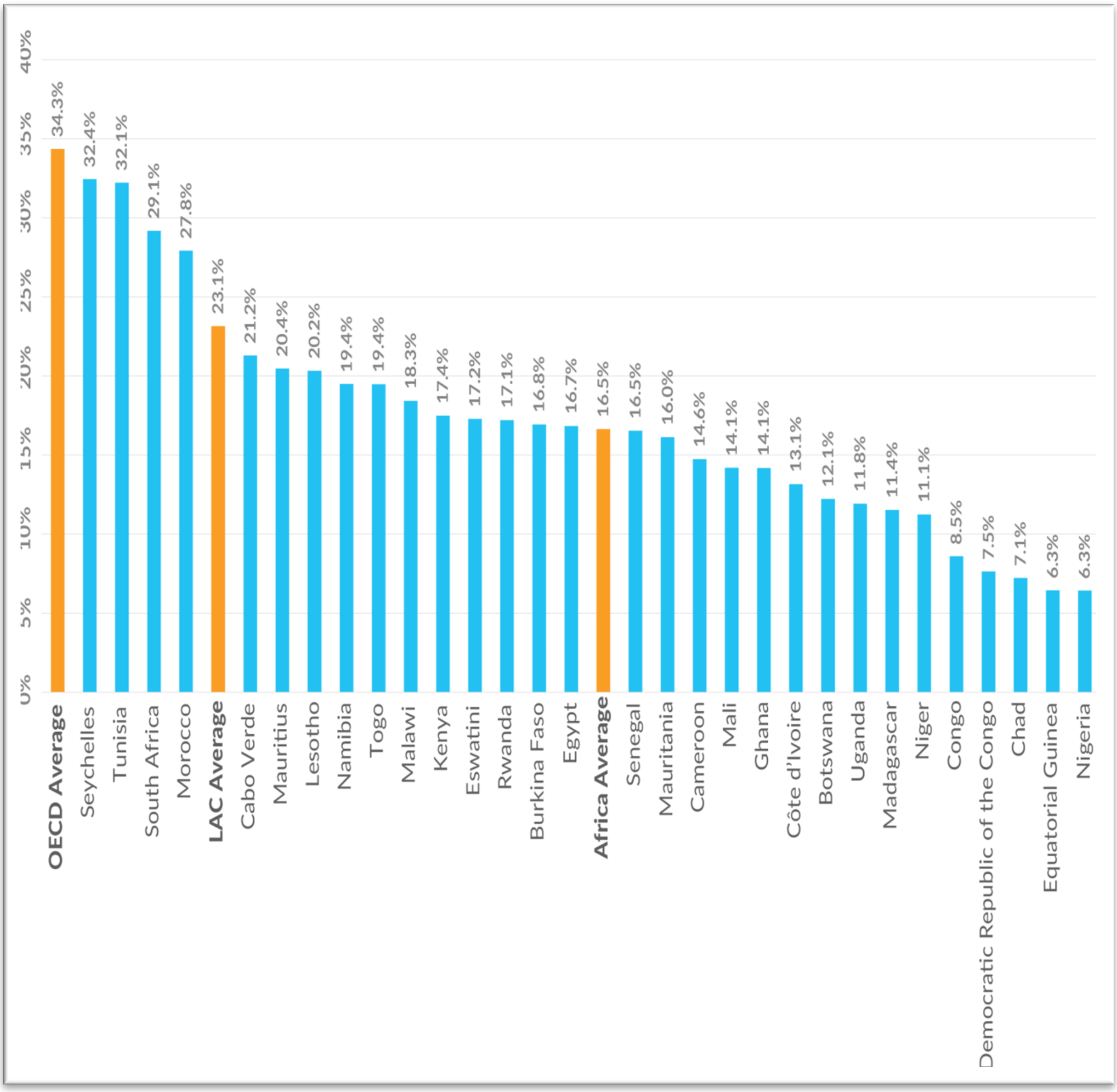
Figure n°6: Evolution of the tax burden 2010-2020 (in billion DH)



Source: Authors' calculations from TGR data and DGI's activity report

According to the report published by the Moroccan Centre for Economic Studies in 2019, Morocco ranks among the developing countries with a high tax burden. Also the OECD has published a report on the tax burden in African countries which shows that Morocco has a high rate (27.8%) than the average African country (16.5%).

Figure n°7: Comparison of tax pressure rates in African countries in 2018



Source: OECD Report: Tax Revenue in African Countries 2020

Overall, it can be observed that the tax burden is very high in Morocco, which requires the expansion of the tax potential and the exploitation of other tax niches to reduce the tax pressure (KARIM, et al., 2021).

In terms of the structure of tax revenues, it can be seen that the composition of direct and indirect taxes in the tax system has undergone a major change since 2015.

Table n° 5: Evolution of the structure of tax revenues: 2010- 2020 (in billion DH)

	2010	2015	2019	2020
Tax revenues (excluding the VAT share of local authorities)	**154,0**	**182,2**	**210,0**	**206,0**
Direct taxes	**65,0**	**80,8**	**96,4**	**93,3**
- IS (Corporate tax)	35,1	41,1	49,2	49,2
- IR (Income tax)	26,9	36,7	42,2	40,2
Indirect taxes	**66,8**	**77,6**	**96,6**	**90,0**
- VAT, of which	45,6	52,2	67,0	63,0
Domestic	18,7	20,2	29,0	28,9
Import	26,9	32,0	38,0	34,0
- ICT, of which	21,1	25,4	29,4	27,0
Energy products	12,3	15,3	16,3	13,9
Manufactured tobacco	7,5	8,6	11,3	11,1
- Customs duties	**12,2**	**7,7**	**9,6**	**9,3**
- Registration fees and stamp duties	**10,0**	**16,1**	**15,1**	**13,2**

Source: Authors' calculations based on TGR's Monthly Public Finance Statistics Bulletins

It can be seen that indirect taxes exceed indirect taxes (including customs duties and registration and stamp duties). Also, it can be seen that over the period 2010-2020, the proportion of direct taxes in tax revenue varies between 38% and 44% and that of indirect taxes between 56% and 62%.

The evolution of IR tax revenues over this period reveals that this tax is less dynamic than the direct tax. They come from wage income.

As regards VAT, we note the preponderance of import VAT, i.e. Moroccans import and consume less national product.

In terms of yield, we note that the IS represents 23% of tax revenue, the IR represents 17% of tax revenue and the VAT represents 30% of tax revenue

Thus, it is deduced that the predominance of indirect taxes over direct taxes weighs on the purchasing power of citizens and creates socio-economic distortions and aggravates the situation of social inequalities.

Conclusion

As a conclusion, we have shown the effective and cross-cutting nature of this instrument available to the state, which makes it possible to guarantee an equitable redistribution of income, insofar as it reduces the existing gaps between the social strata. Taxation is a driving force behind the new development model which affects all social sectors such as education, health and employment, as well as economic sectors such as industry and investment.

The economic crisis in Morocco linked to the coronavirus epidemic (Covid-19) will have a strong impact on the poor and middle classes and has accentuated social inequalities. It has clearly shown the close relationship between success in reducing social inequalities and the adoption of an appropriate financing strategy, a financing strategy that is centred on fiscal resources

However, the effectiveness of tax policy in financing the economic development model, allowing for the reduction of social inequalities, requires the allocation of funds allowing for the generalization of social coverage and protection, the support of the productive economy and the encouragement of investment, the fight against informality, fraud and tax evasion, and finally the establishment of a climate of trust between the administration and the taxpayer. In other words, rethink our taxation system so that it is simplified, equitable, fair and transparent for a better mobilization of the resources necessary to finance development projects.

However, the implementation of a tax policy in harmony with the objectives of the new development model requires the commitment of all stakeholders around a tax pact of trust that strengthens the adhesion and acceptability of this policy.

With regard to limitations, we concede that our research suffers from certain weaknesses. First of all, the lack of individual interviews and a quantitative study does not allow us to formulate and test our hypotheses. From the outset, we have positioned ourselves behind the objectives of exploring and describing reality and not testing the hypotheses. This documentary study allows identifying the fundamental notions of this subject, since the subject of the variable tax relationship and social inequalities is a multidimensional subject touching economic, social and technical aspects.

As for the future, several avenues can be explored to pursue this research. First of all, it would be interesting to conduct individual interviews with some specialists and economic experts on the conclusions and proposals developed in this article, namely: the tax burden, the redistribution of income through the tax tool, the impact of the progressive tax structure.

It would also be relevant to try to address the modalities and determinants of mobilizing the necessary tax resources to fight social inequalities.

This type of research could then be carried out using qualitative and quantitative studies focusing on the testing and validation of hypotheses.

As far as the contributions of our work are concerned, it will open up reflections on the parameters to be taken into account in the fiscal policy likely to finance the strategic projects of the new development model allowing for the reduction of social inequalities. It constitutes a working tool for practitioners and specialists to visualize the dysfunctions of our tax system which would contribute to both the aggravation of social inequalities and the insufficiency of additional tax resources.

This paper will also have a contribution to make in the economic literature to enrich the theory governing the tripartite relationship between taxation, development and social inequality.

BIBLIOGRAPHY

AJAIR, Z. (2020). Le système fiscal marocain et le nouveau modèle de développement : analyse et propositions», *Revue du contrôle, de la comptabilité et de l'audit,* 4(4), 148 – 167.

BENMOUSSA, M. (2019). Fiscalité et inégalités des revenus : Panorama et état des lieux. Revue Internationale des Sciences de Gestion « Numéro 5 : Octobre 2019 / Volume 2 : numéro 4 » p : 249 - 274

BENSALAH, Z.A. (1982). La fiscalité face au développement économique et social au Maroc », édition LGDJ, Paris, 179.

BRANKO, M. (2016). Global inequality, a new approach for the age of globalization.

Bouvier, M., (2020). Introduction au droit fiscal général et à la théorie de l'impôt, LGDJ, 14e édition, Paris.

Boyer, J.D.La sociologie d'Émile Durkheim, *Revue des sciences sociales* [Online], 56 | 2016, updated on July 10, 2018, accessed on June 01, 2022.URL : http://journals.openedition.org/revss/420 ; DOI : https://doi.org/10.4000/revss.420.

CSMD, (2021). General report.

CROSSMAN, A. (2021). The Sociology of Social Inequality, ThoughtCo [Online], updated on January 28, 2020, accessed on June 07, 2022. URL: https://www.thoughtco.com/sociology-of-social-inequality-3026287.

DADUSH, U., & SAOUDI, H. (2019). Inequality in Morocco: An International Perspective, *Policy Center for the New South*.

DEPF, (2018). La question des inégalités sociales : Clés de compréhension, enjeux et réponses de politiques publiques, Ministère de l'économie et des finances.

DGI, (2020). Activity report.

DONZELOT, J. (2007). Refonder la cohésion sociale, accessed on June 04, 2022.URL: https://base.socioeco.org/docs/refonder_la_cohesion_sociale_art_jacques.pdf.

ESEC, (2019). A Fiscal System as a Pillar for the New Development Model».

HCP, (2016). L'enquête nationale sur la consommation et les dépenses des ménages 2014.

HCP, (2021). Enquête réalisé sur l'évolution du niveau de vie des ménages et impact de la pandémie COVID-19 sur les inégalités sociales.

ILO, (2017). World Social Protection Report 2017-19: Universal social protection to achieve the Sustainable Development Goals.

KARIM, M., BOUZAHZAH, M., & ERGUIGUE, O. (2021). The Tax burden and Economic Growth in Morocco: Empirical Analysis», *Journal of Economics and Public Finance*. 7(1).

LEROY, M. (2011), Taxation, the State and Society: The Fiscal Sociology of Interventionist Democracy. P.I.E-Peter Lang S.A., Éditions Scientifiques Internationales, Action publique / Public Action, 978-90-5201-697-9. Hal-01933453.

MAURIN, L., (2018). Comprendre les inégalités, Tours, Observatoire des inégalités, Morocco Employment Lab, (2020). Covid-19 in morocco: labor market impacts and policy responses.

National Observatory of Human Development, (2021). The Dynamics of Poverty in Morocco, presented at a webinar chaired by El Hassan El Mansouri, Secretary General of the ONDH. This webinar can be accessed on 13/06/2022 at the link: https://www.ondh.ma/fr/actualites/webinaire-sur-la-dynamique-de-la-pauvrete-au-maroc.

OECD, (2014). Focus on Inequality and growth.

OECD, (2021). Revenue Statistics in African Countries.

OXFAM, (2019). Un Maroc égalitaire, une taxation juste.

PIKETTY, T., (2013). Le capital au XXIème siècle, édition le seuil.

PNUD, (2020). Rapport sur le développement humain: La prochaine frontière : le développement humain et l'Anthropocène.

RAISSOUNI, O. (2021). Justice fiscale au Maroc : principale levier de justice sociale, Imprimerie EL Maarif Al Jadida. Maroc.

Speech of His Majesty the King Mohammed VI the occasion of the celebration of the Feast of the Throne, (2019)

TGR, Monthly bulletins of public finance statistics, years 2010 to 2019.

Thiétart, R. A. (2014). Méthodes de recherche en management, 4ième édition. Dunod.

World Bank, (2019), Poverty in learning.

World Bank, (2020). POVERTY AND SHARED PROSPERITY 2020, Library of Congress Control Number: 2020947094.