

# Morocco



## Between economic liberalisation and political stagnation

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Given the lack of a project for the democratic modernisation of the state and the construction of citizenship, Morocco is caught between economic liberalism and political stagnation. The public services on offer do not satisfy the basic needs of the population. Recent market-oriented reforms have aggravated the social and political crisis, as shown by the increase in corruption, clientelism, foreign debt, impunity and religious fundamentalism.

Already in the fourteenth century, Ibn Khaldoun had warned that *“civilisation and prosperity depend on the productivity and on the widespread efforts of persons conscious of their interests and desirous of its benefits”*. Several centuries later in Morocco, a peculiar interpretation of the ideas of the great Arab historian and philosopher prevails. The evolution of the public sector goes hand in hand with the evolution of strategies of monarchical power (the *Makhzen*) in order to secure the continuation of the regime. For three decades, from independence in 1956 until 1983, the Moroccan economy and politics were firmly subordinate to the stability of the authoritarian-monarchical regime. The Moroccan state developed the construction and expansion of the public sector as a series of benefits accorded to the techno-bureaucracy and to traditional social forces in exchange for allegiance to the crown. From 1983 onwards, after the implementation of the Structural Adjustment Programme (SAP), the changes in public sector management and administration followed the same political recipe, this time favouring international capital and the new pseudo-bourgeoisie born of the benefits of the *“thirty glorious years”* (1956-1983). The regime then proceeded to privatise without respecting merit or the popular will (Guerraoui, 1995 and 1996).

### An authoritarian and exclusionary structure of power

The government's response to the economic and social expectations of Morocco's population is the same now as it was two decades ago: *“the cost of public services is too high and their management by the state has been inefficient, therefore we should privatise”*. This response is useful to the interests of the power structure that governs the country and does not spring from a democratic or liberal state policy. Whilst privatisation is promoted in part to provoke a cultural rupture with the centralising and dominant state, the logic of economic power in Morocco is focused in another direction: towards a state that is the 'producer' of benefits and the 're-distributor of wealth'. The aim is to clientelise society and reduces political interplay to a complex mechanism of co-optation, the axis of which is the monarchy.

In the absence of a political project aimed at modernising the state and building citizenship, public services are insufficient in many areas and non-existent in others: hospitals are ancient, the judicial system does not inspire confidence, education is not adapted to economic or social needs and the main outputs of schools are the

future unemployed and incompetent workers. In this way, the interest groups in power consolidate themselves further everyday thanks to monopolistic privileges, corruption, clientelism, over-indebtedness and impunity. Their voraciousness can only be compared to the speed with which social degradation and religious fundamentalism expand.

The future of public services in Morocco, and its economy as a whole, is powerfully conditioned by the geopolitical environment. A new stage in the process of constructing the Europe-Maghreb association (also known as the Barcelona Process) began at the Euro-Mediterranean conference held in Barcelona in November 1995. It was formalised via the agreements signed between the European Union (EU) and three countries of the Maghreb: Tunisia in 1995, Morocco in 1996 and Algeria in 2002. With this new configuration, the EU tried to bring forward the integration of the Maghreb into a free trade zone by 2010 (REMALD, 2002). In its original form (ratified at the recent intergovernmental conference 'Barcelona+10' in November 2005) the project of association is geared *"to create a zone of shared security and prosperity"* and to make the Mediterranean *"an arena of dialogue, interchange and cooperation which guarantees peace, stability and prosperity"* and to *"develop the rule of law and respect for human rights"*.

Beyond the rhetoric, the process has set itself the primary objective of creating a free trade area from the beginning. But this economic 'freedom' does not extend to the free circulation of people or democratic ideals. At the same time as proposing economic liberalisation as a development strategy, *fortress Europe* protects itself from uncontrollable immigration at its borders. Collaboration is established along four axes:

- Financial co-operation to promote the levelling of the economies of the Maghreb.
- Scientific, social and cultural co-operation.
- Regular political dialogue on themes of common interest, such as immigration, drugs and security.
- The progressive establishment of a free trade zone.

For the European Union, putting the Barcelona Process (formalised by these agreements) into action means consolidating a free trade logic with its neighbours in the south. In effect, the agreements convert free trade into the only available option for the countries of the southern Mediterranean to escape underdevelopment. These various and seemingly well intentioned co-

operative initiatives convey the desire for European economic domination of its southern neighbours. But for the EU, this is also about trying to sure up its position in the Mediterranean in the face of the strengthening of United States' position in the region. This manifests itself in the EU's desire to install a regional development model based upon the European model. In the particular case of Morocco, aside from the agreement with the EU, there exists another agreement which plays a fundamental role in determining public policy options: the free trade agreement between Morocco and the United States, which came into effect in January 2005.

The building of closer ties between the shores of the Mediterranean is accompanied by another south-south dynamic linking various North African countries. This dynamic, which also consists of establishing a free trade zone, is also being promoted by the EU. Europe has actively supported the trade liberalisation agreement between Jordan, Egypt, Tunisia and Morocco, known as the 'Agadir Agreement', signed in May 2001. This initiative constitutes an important step towards the proposed creation of a Euro-Mediterranean free trade zone projected for 2010.

The opening-up of Morocco's economy on three fronts – the Agadir Agreement, the Euro-Maghreb Association and the free trade agreement with the United States – constitute a real challenge for the economy of the kingdom. According to these trade agreements, Morocco must drastically reduce its import taxes on many agricultural and industrial products and liberalise its service sector. These economic liberalisation agreements strongly condition Morocco's future in terms of less autonomy in the development of industrial policy, tourism and the export of agricultural and textile products. The differences in political culture and the levels of development between Europe and the Maghreb are alarming, too large to be able to think of a real 'association'. The north-south divide runs the risk of deepening.

On the other hand, the text of the agreements establishes that the violation of civil and political rights by either of the parties is a cause for complaint and the cancellation of responsibilities taken on by the other party. In practice, this mechanism does not work; rather the opposite occurs. The dictatorships of the south coast of the Mediterranean in 'democratic transition' have found a source of domestic legitimacy in the agreements signed with the European Union. But the Maghreb is still far from moving towards a democratic political horizon:



Tunisia is still a police state, power in Algeria is still in the hands of a civic-military regime with clear deficiencies in democratic institutionalism, and in Morocco the 'democratic' government is still subordinate to monarchical power (*Esprit*, 2004).

In this climate of democratic fragility, the wave of privatisations and the application of liberal recipes in the area of public services are silently being enforced, with very little opposition from the political forces and civil society of the countries of the region.

### Public Services since independence

National independence, granted by France in 1956, marked the beginning of the expansion of the Moroccan public sector. During the nationalist and centre-left government of Abdallah Ibrahim, between 1958-1960, development originated in a series of measures aimed at the creation of new institutions to be managed by the state. Several government initiatives were included in the 1960-1965 Five Year Plan which promoted greater state participation in the economic and social arenas. Moroccan institutionalism grew, due both to the tendency towards public sector expansion and greater state control over the private sector. State-owned and managed companies were the main instrument of public intervention in the sectors considered essential. The involvement of the state was manifested in the assumption of service provision, the regulation of the functioning of the private sector and its participation in joint ventures. The public companies became a model of development, although always endeavouring not to stifle the growth of the private sector. At the same time as the government created public companies, it also created the Office of Industrial Development (OID), whose role was to stimulate the development of the Moroccan private sector through the provision of capital and technical know-how.

In this way the state became a banker, a real-estate developer, an agriculturist, a trader, and so on. The historical reasons for the expansion and institutionalisation of these roles are found in the fact that soon after independence the nationalist leaders became preoccupied with the strengthening of the country's economic independence linked to a strong public sector, in place of a non-existent national bourgeoisie and as a fundamental pillar of a process aimed at the creation of a nation state.

The period 1970-1977 was also characterised by the expansion of the public sector with the number of state

companies rising from 156 to 230. This growth was based on the financial resources available to the state which in turn were a consequence of the rise in the price of the country's main export, phosphates. This growth also responded to the political need to reinforce and consolidate public capital. The seventies was the decade of the creation of the large agro-industrial companies, which followed the wave of land nationalisations. This evolution meant that the Moroccan public sector expanded and diversified in a very heterogeneous manner, embracing service providing companies as well as industrial companies, and public administration. State investment doubled between 1973 and 1977, constituting over half of the GDP towards the end of the decade. The state's interventionist policy and its consequent indebtedness allowed the short term consolidation of a textile-based national industrial network and a diverse economic infrastructure. However, in the long term the debt incurred by the public sector became a heavy economic burden for the country. Likewise, in spite of the strong investment of resources, the profit indicators of public companies turned out to be very weak and their costs too high. At present the state continues to be involved in a great number of economic activities and strategies, but their economic and financial efficiency is not at the level of public expectations.

With the failure of state interventionism, the rate at which public companies were created lost its previous dynamism by the end of the seventies. In reality this change was not due to a new strategic vision at government level, but rather to the reduction in state resources as a consequence of the fall in the price of phosphates. The cost of the war of Western Sahara also had an economic effect (the conflict erupted in November 1975 when Morocco assumed control of territory which had until then been under Spanish colonial domination). The weakening of the state role as investor and promoter of economic development became evident in 1983, when Morocco requested a loan from the World Bank in order to deal with the deficient functioning of public companies. The response of the World Bank was direct and radical: an acerbic critique of Moroccan public policy since independence and the proposal for deep institutional reforms based on the privatisation of public companies, starting with a plan simply named 'Structural Adjustment Programme' (SAP). In the framework of a Programme of Rationalisation of Public Enterprises (PERL), launched in 1985-86 with renewed support and

financing from the World Bank, the government began the period of profound public sector reforms.

### **The reform of the public sector, 1983-1996**

According to the interpretation of the international financial institutions (IFIs), the biggest obstacle to economic and social development in Morocco is the state's interventionist tradition. Once this diagnosis had been made, the elimination of the state as an economic operator was prescribed and rapidly administered as a 'cure', with a view to freeing the potential of the market as an agent of development and wealth redistribution. The recommendations of the international institutions have always found Moroccan political decision-makers a responsive audience, since they coincide with the foreign consultants in assuming that the deficits of the public companies have become unbearable (Sedjari, 2004).

The PERL programme was launched in 1985 with the objective of diagnosing and exposing the weaknesses of the public companies. This programme rests on the principle of 'rationalising management' in public companies, and introduces elements of competition to the Moroccan economy, supposedly in pursuit of the efficiency of both public and private economic actors. The reform pivoted on three axes: (a) financial autonomy of public companies; (b) managerial autonomy; and (c) the rationalisation of the role of the state in the economy. In the framework of this programme, during the first years of the reform process six companies were chosen as candidates for restructuring. These companies were those that absorbed the most public resources. These were the National Office of Electricity (ONE), the National Office of Drinking Water (ONEP), the National Office of Railways (ONCF), the two oil refineries (SAMIR and SCP) and the National Society of Petroleum Products (SNPP).

The axes that guided the reforms were the reduction in transfers from the central budget to state-owned companies, the adoption of an adequate pricing policy and the strengthening of administrative and financial autonomy. With regard to the first point, the objective of the reform was the suppression of financial assistance to public companies. In particular, the authorised budgets for the six companies listed above were capped. With regards to the second point, the measures taken were aimed at cutting the flow of resources to public companies that were not profitable. The third axis referred to the re-absorption of debts.

The reforms established great managerial independence for all decisions with regard to organisational and functional matters, as well as with regard to investment. The new relations between the state and public companies were now governed by so-called 'contract-plans'. The objective of these contracts is to specify the roles and the respective responsibilities of the state and of the reformed companies and to decide the investment and intervention strategies most appropriate for the long term.

The results of the application of the PERL programme are contradictory. On the one hand, its application contributed to improvements in the management of some public companies, promoting increased financial autonomy, increased accountability of the board of directors and rationalisation of management in general based on the introduction of modern administrative methods. On the other hand, the commitments made with regard to the prices of products and services offered by the public companies were originally respected, but in the period 1987-1990 debts began to accumulate once more. The cause of these new deficits is the limited structural modernisation of public companies, which was carried out without giving them the necessary freedom in order to deal with the rules of competition in a liberalised market, which necessarily project themselves onto the rates. The budgetary allocations continued to be insufficient to cover the provision of essential public services, especially that of water, electricity and telecommunications (REMALD, 2001).

In order to absorb the accumulated deficits, the government launched a three-year programme in 1991, but the situation did not improve as no funds had been allocated to cover the deficit of the first year. Even today, in spite of the reduction in the level of transfers from the state to public companies in comparison with the eighties, it remains far from the levels indicated by the World Bank, which in its periodic reports expresses doubts over the solidity of the results achieved by the reform programme implemented by the Moroccan government.

Economic efficiency and the creation of employment were the arguments used by the government to justify the transfer of part of the state's commercial activities to the private sector. In the royal speech of 8 April 1988, the King highlighted the need to restructure public services as the starting point for their privatisation. The King's observations became law on 11 April 1990, which enabled the transfer of companies that were state proper-



ty to the private sector. Since then, the race to privatise has accelerated, aided by a new legislative and administrative framework aimed at separating the state from productive activities. The reform strategy is resulting in the demise of the public sector, and has facilitated:

- The partial privatisation of state companies through floating them on the stock market or other bidding formulas to the benefit of the private sector, as occurred with the concession of the second GSM mobile telephone licence to the international consortium Medi-Telecom, and also with the transfer of 51 per cent of the state enterprise Maroc Telecom to Vivendi-Universal.
- Delegated management contracts, especially for the management of public services at local level, promoting the investment of private capital in activities of collective interest. In particular, these have occurred in the water, electricity and sanitation sectors, as in the cases of LYDEC of Casablanca and REDAL of Rabat.

Progressively, strategic public services such as the electricity network, the provision of drinking water, sanitation and urban transport have become the property of multinational corporations. This situation is aggravated by the inclusion of these services in economic liberalisation agreements at the global level, as is the case with the General Agreement on Trade in Services (GATS), which obliges the state to treat the public and private, domestic and international companies equally.

Between 1993 and 2001 the Moroccan state ceded 63 companies to the private sector, for more than 40,000 million Moroccan dirhams (more than 4 billion US dollars, at current exchange rates). The privatisations affected virtually all sectors of economic activity. Foreign buyers represent 78 per cent of the total investment. The original forms of privatisation are through bidding processes, by floating on the Casablanca stock exchange and by direct purchase.

### State delinking at the local level

The reform of the drinking water network was presented as a necessary response to the inability of the Moroccan state to find the necessary resources to modernise the service. Several partners were involved in this reform: The World Bank, central government, local authorities and multinationals (especially those of French origin). In the case of the management of local public services, pri-

vatation took the form of concessions, in a type of procedure called 'delegated management contracts'. This form of privatisation is characterised (theoretically) by the participation of local institutions, both at the level of regulation and at the level of negotiation with the private sector. From 1997 to 2002 three big concessions were handed over. In 1997 the management of the urban services of the Municipality of Casablanca were transferred to the Groupe Suez-Lyonnais des Eaux. A year later the management of the urban services of the Municipality of Rabat was transferred to the Portuguese-Spanish Urbaser-Pleaide-EDP consortium and later to the Vivendi group. In 2002 the management of the public services of the municipalities of Tangier-Tetuan were also transferred to the Vivendi group. Since these three big operations, the system of delegated management contracts now affects nearly half the users of urban services at national level.

As has already been indicated, although in theory the delegated management contract foresees an active role for local communities, in practice the forecasts of local participation and accountability are not always applied. In Casablanca and Rabat it has been found that the local communities and authorities were left out during the operation of the concession and were not informed of it until several months after the negotiations had begun, when the Ministry of the Interior – wanting to counter the resistance of local opposition – actively mobilised its political forces at the municipal level in order to get the concession contract signed.

In the case of Tangier-Tetuan, the Vivendi concession, which was concluded in January 2002, did not cause political reactions. After the imposition in Casablanca and the acceptance in Rabat, public opinion was prepared for this perspective. Vivendi-Environment (the French multinational that later changed its name to Veolia) was already a shareholder in Maroc-Telecom since 2002. In Rabat it obtained the concession for the domestic waste collection and processing services, drinking water, sanitation and the electricity services.

The privatisation of the primary public services at local level is in fact totally disconnected from the national political debate. By emphasising the technical aspects of the deal this method does not generally generate opposition between the local and national actors involved. The debate over citizenship and the concept of the public interest has been subordinated to the principles of rationality and efficiency. Without mentioning the form in

which they bestow the delegated management contracts, the private operators present their proposals to the provincial authorities, the *Wilaya* (whose governors are chosen by the King and/or the Minister of the Interior) rather than by the 'elected' municipal government (Ministère de l'Intérieure, 2001). In practice, therefore, negotiations are generally carried out directly with the Minister of the Interior.

During the time of the privatisation offensive, the opposition political forces – the left in general and the Socialist Union of Popular Forces (USFP) in particular – questioned both the specific operations and the method of the transfer of management. But the debate they provoked in the period before 1998 was never over the real problem: the contract conditions, specifically the technical conditions of long term management and the financial costs for the users. Instead, the USFP directed its criticisms towards the questioning of the tutelage exercised by the Minister of the Interior, through the Management of Public Enterprises and Service Providers. And when they came to be co-responsible for the management of public policy during the alternate government of 1998-2002, the progressive political forces rapidly forgot their previous positions.

The interference of the 'great' ministry in the case of Casablanca (in Rabat the opposition of the USFP lasted until the advent of the alternate government) served as a model for the cities in the rest of the country. The role of the Ministry of the Interior in the privatisations shows the extent to which local decisions are held back from voters through a series of laws which ensure that authority always remains in the hands of the monarchy. The concession or delegated management contract is an example of the hegemonic model of the management of public power in Morocco.

### Obstacles on the road to modernity

A responsible political structure cannot achieve its objectives without authority. And a political structure without citizens' authority is an empty shell, a ghost organism. Indeed, an authority structure that is not responsible to the people and their representative bodies is nothing but absolutism; authority without accountability is dictatorship.

In Morocco, the reign of Hassan II (1961-1999) consciously and wilfully created just such a gap between citizens and authority. The monarch created a parallel state,

the *Makhzen*, which attained great decision-making and executive powers without any accountability at all. In order to create a stable, well-oiled and complete structure, the regime's preferred method since the passing of the 1962 Constitution has been to ensure that 'constitutionally' the people are made responsible for choosing public authorities via 'elections', authorities which are without any institutional power, which only oversee day-to-day issues and ratify without questioning the decisions of the *Makhzen*. As compensation, it was guaranteed that the monarchy was the depository for all institutional power. This tendency was subtly accentuated under the new reign of Mohammed VI, considered by the international community as a 'regime in transition to democracy'.

The measures taken to consolidate the monarchical regime are visible in the design and promulgation of the Municipal Constitution, which concentrates all authority and decision-making power at a communal level in the hands of the local *Makhzen*. This effectively puts all the actions of the Municipal Council under the tutelage of the Minister of the Interior or his representative in urban municipalities, and of the *wali* or governor for rural affairs.

In Morocco, unlike what can be observed in other so-called 'developing' countries, economic opening and privatisations did not come from a liberal doctrine, but rather from the economic failure of the authoritarian policies aggravated by the extremely sterile policies of the regime. In this way, in the face of the wave of privatisations all the options of alternative management became irrelevant in the face of the imposition of criteria of political co-optation and the preservation of the economic privileges of the elite. The wave of liberalisation has been used to consolidate and perpetuate a political system that is centralised and anti-liberal (Vermeren, 2001, 2002 and 2004).

In this context, the foci of resistance will certainly not come from the sphere of parliamentary politics. Rather they must be expected from the civil associations. Nevertheless, although Morocco shows certain dynamism in 'civil society', there are as yet no structured actions, nor alternative proposals to the privatisation of public services. For example, the protest movements of the customers of the firm REDAL (controlled by Vivendi) in Rabat were centred on the mediocrity of the service and the increase in charges, and not on questioning the policy of privatisation.



In effect, behind a modernist facade of prosperity and economic aperture, which is seductive to the West – and its multinational corporations – Morocco is weakened by the weight of poverty and political stagnation. The symptoms of social and political disintegration are already evident in the daily life of its citizens. With poverty and social injustice growing, Morocco is sinking into an ever-deepening crisis. The options chosen by the government to confront the problems are to continue reducing public

expenditure and reduce the legal obligations demanded of private capital.

In short, the quality and the extent of public services in Morocco has been sacrificed. It is impossible to put a price on public services, but it is evident that they do have a cost. In the case of Morocco, the cost has been to transform the process of the satisfaction of social needs in favour of the creation of private wealth and the continuation of an authoritarian political regime.

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