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ACCURACY - DEPTH - TIMELY - IMPACT

Doing Business in Morocco: Significant Achievements but merely on Paper

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About the Author

About the Author:

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Introduction

Introduction

In October 2019, Morocco's Prime Minister said that he was happy Morocco ranked well in the World Bank's 2020 "Doing Business" Index and moved up by 7 places to reach the 53rd place globally. During his monthly plenary session at the House of Representatives devoted to the subject of "Business Climate", Prime Minister underlined that "improving Business Climate will not only have positive impact on investors and businesses, but also on the general public, particularly through its contribution in fighting poverty, reducing social inequalities, and improving the living conditions of ordinary citizens¹. This view was expressed within a context of an ongoing debate over the last three years about the limitation of the current development model. This limitation which has resulted in King Mohammed VI appointing a special committee² to put together a new development model, expected to present its findings by the end of June 2020. All of this has taken place under unstable economic circumstances which were worsened by the impact of the Novel Coronavirus (COVID-19) and the risk of another possible drought season.

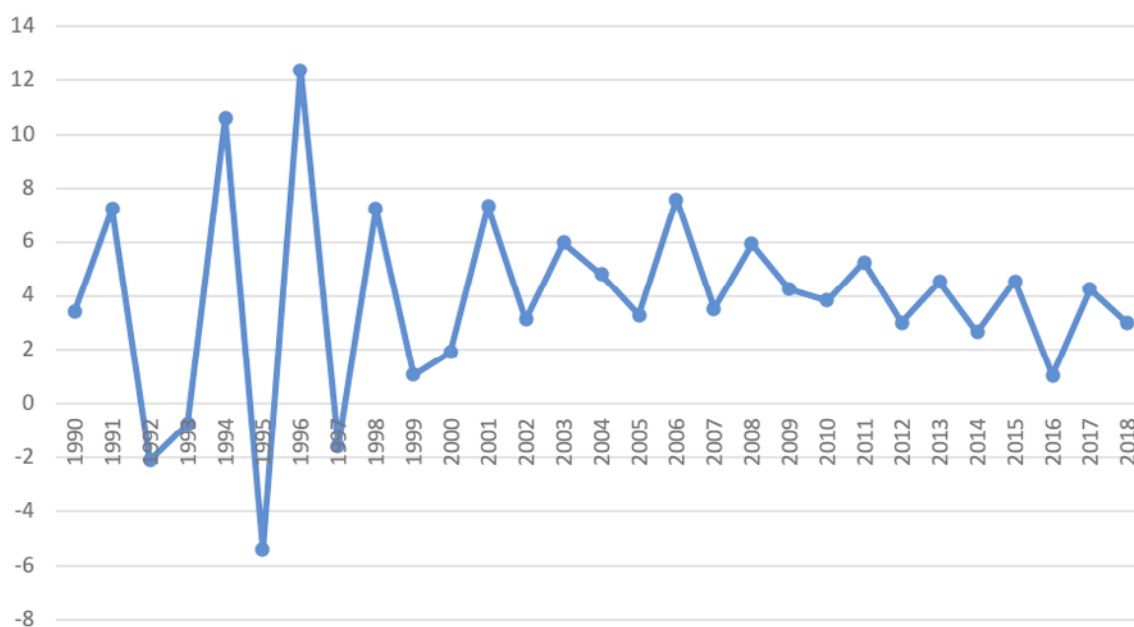
Based on the Doing Business reports, one may presume that Morocco's progress in the ease of Doing Business ranking is an indicator of improvement in the country's business conditions. However, a more in-depth look at the economic reality on the ground may reveal otherwise. Morocco's achievements in ranking have not been reflected on the reality of investment nor the economic growth in recent years. Growth rates between 2012 and 2018 remained extremely modest. This was 1.06% in 2016 (which is quite low given the challenges faced by Moroccan economy) and did not exceed, at best, 4.53% between 2013 and 2015, which remains largely inadequate for an effective economic take-off.

1 Head of Government portal: "Head of Government: The effects of business climate reform are positive on both citizens and investors" (<https://cutt.ly/ardCQKX>)

2 A Royal Committee was appointed and assigned the task of putting together a new development model for Morocco. This came following the announcement by the King during a speech on 13 October 2017 during the opening of the first parliamentary session of the second legislative year of the tenth legislative term, that the current model has reached its end

Instead of seeing Morocco's progress in the "Business Climate" index reflected on its economic growth rate, we saw the opposite. Over the 1998–2008 decade, and at the time when Morocco ranked off the top 100 on the Doing Business index, Morocco reported growth rates ranging from 3% and 7%. While in the course of the 2009-2019 decade, when Morocco's ranking improved, growth rates were often considerably lower.

Graph 1: Morocco's Economic Growth



Source: World Bank

The contradiction between increased ranking in Doing Business index and low growth rates is due to the nature of the institutional environment in Morocco, particularly the fragile rule of law institutions, poor governance and protection of property rights, and corruption. These indicators reflect the structural barriers to investment, which made the World Bank's Doing Business ranking more of a technical endeavour that does not accurately capture the reality and complexity of the Business Climate in the country.

In an effort to understand this contract, this paper seeks to look critically into the World Bank's Doing Business Index and approach the Business Climate from an alternative perspective using complex indicators that take into account the quality of political and economic institutions as crucial indicators

affecting Business Climate in any country. In this regard, this paper will rely on national and international reports, notably reports by the World Bank, the Fraser Institute, the Heritage Foundation's reports on economic freedom and property rights, and the World Economic Forum's report on global competitiveness, in addition to other national reports issued by official institutions such as the Economic, Social, and Environmental Council and Transparency Morocco.

Doing Business Index

The Doing Business project is one of the well-known reports of the World Bank, often issued amid certain political controversy and massive media coverage. This report is based on the aggregation of 10 basic indicator sets that measure aspects of "business practice" in 190 countries across the globe, including indicators on the regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. To measure these indicators, the authors of the report fill out forms with input from more than 13,000 accountants and lawyers residing in the 190 countries. Experts overseeing the drafting of the report also travel to a number of countries to conduct workshops and interviews with their counterparts in those countries in order to ensure the accuracy of the numbers provided in the filled-in forms. They also take into account the views of government officials about the data collected, before including it in the final version of the report.

This report was hardly criticized when Paul Romer³, former Chief Economist at the World Bank, set off a storm of criticism in a statement to the Wall Street Journal on 12 January 2018 when he questioned the institution's methodology. Romer said the irregularities in how the survey's methodology is conducted affected the ranking of countries. These irregularities, according to the economist, clearly manifested themselves in the shift in the ranking of Chile, which dropped from the 44th to 55th after 2006. An investigation was completed subsequently in order to improve the ranking of some countries. Ro-

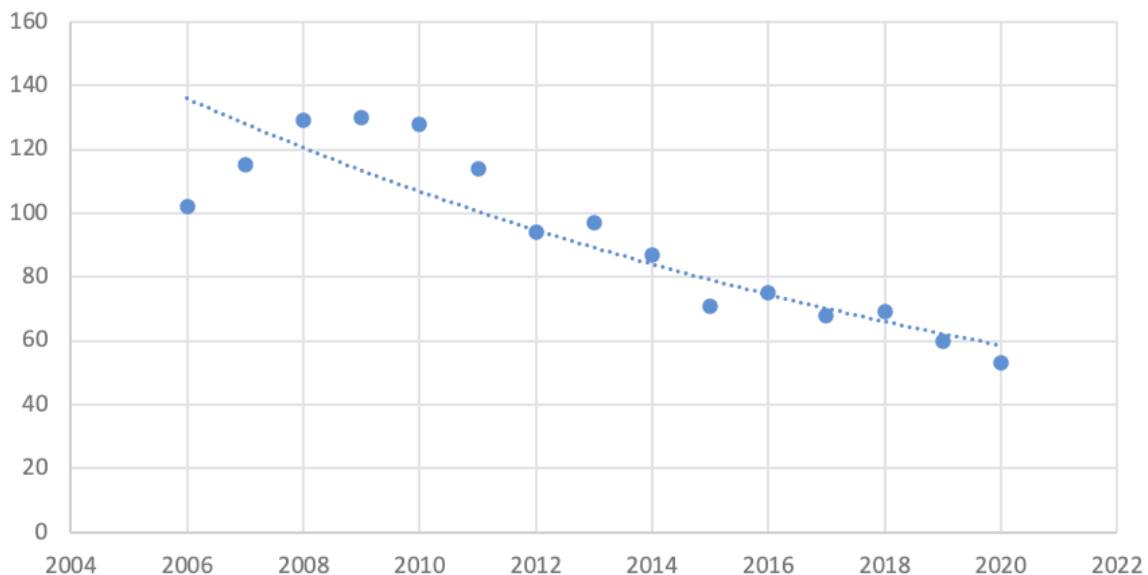
3 Josh Zumbrun. World Bank Competitiveness Rankings Weren't Manipulated, Audit Shows. The Wall Street Journal: <https://cutt.ly/it9dD3j> (Accessed: 20 February 2020).

mer ended up resigning from the World Bank. In the same year, he was awarded the Nobel Prize⁴ in Economics in recognition of his contributions to the development of the economic growth theory.

Improvements merely on paper

In a notable development, the ease of Doing Business⁵ in Morocco has reached an all-time high after moving from 130 in 2009 to 53 in 2019, which is considered one of the best improvements in performance globally. Morocco ranked 16th in the Dealing with Construction Permits (the best ranking ever for Morocco), while it ranked 119th in Getting Credit index.

Graph 2: improvements of Doing Business in Morocco



Source: World Bank

The 2020 report listed a set of measures adopted by the Moroccan Government and helped Morocco improved to 53 in 2019 from 60 in 2018 (Graph 2). These include the ease to obtain a building permit by issuing one electronically, facilitation of the procedures required to obtain electricity connection, streamlining the property registration procedure by reducing the number of days required for its conduction, strengthening minority investor protections by expan-

⁴ The Nobel Prize website: <https://cutt.ly/tt9dLT6> (Accessed: 25 February 2020)

⁵ World Bank Group. (2020): Doing Business 2020: Comparing Business Regulation in 190 Economies. Washington DC.

ding shareholders' role in major transactions, promoting independent directors, increasing transparency on directors' employment in other companies, and making it easier to request general meetings ⁶.

The report also mentioned the efforts undertaken by the government in the fields of tax reform, facilitation of foreign trade by introducing e-payment of port fees, streamlining paperless customs clearance, and extending hours of port operation. Morocco also made enforcing contracts easier by introducing an automated system that randomly assigns cases to judges and publishing court measurement performance reports⁷.

Difficulties of Doing Business in Morocco

Despite the fact that these measures were mainly aimed at improving Doing Business and at promoting new business creation, the reality of the Moroccan economy on the ground shows the marginal impact of these technical measures. With respect to investment growth rate⁸, Morocco reported less than 10% investment growth rate between 2009 and 2019, while reported a negative rate in 2013, 2014, and 2017 - years during which Morocco boasted about its improved global ranking in Doing Business index.

In terms of the economic growth (Graph 1), and since Morocco has joined the 100 best countries for Doing Business in 2012, the country's growth rate did not exceed 5% in any year. The highest rate was 4.5% and was recorded in 2013 and 2015. In other years, this has progressed at a modest rate (1.06% in 2016) and about 3% in 2012, 2014, and 2018, according to World Bank data⁹. When we compare the last decade (2009-2019) to the one that preceded it (1998-2008), we are able to see considerable variations between the two decades. Morocco has achieved important economic growth rates during the first decade that were not achieved during the one that followed. The county's GDP growth rate was 7.57% in 2006 when its ranking on the Ease of Doing Business was 102, and the

⁶ Ibid.

⁷ Ibid.

⁸ World Bank, Gross fixed capital formation (annual % growth): <https://cutt.ly/pt9dVDv> (Accessed: 13 April 2020)

⁹ World Bank, GDP growth (annual %): <https://cutt.ly/Ut9dMin> (Accessed: 13 April 2020)

GDP growth rate was 5.92% in 2008 and 5.2% in 2011 when the ranking was 129th and 114th respectively.

The difficulty of Doing Business in Morocco was confirmed by the World Bank too. In a previous report, the World Bank mentioned that the Business Climate in Morocco is “complex and lacks transparency¹⁰”, although this very same report which primarily focused on the economic situation in Morocco, did recognize that the country has already succeeded in improving some of the indicators used to measure the Business Climate. It, however, underlined that “the reality on the ground seems completely different in terms of starting businesses, obtaining permits, or getting credit. In more general terms, the relationship with the public service remains a frustrating one for investors¹¹. According to the same report, Business Climate in Morocco is characterized by bureaucracy and economic actors’ inability to make projections into the future. This makes the level of trust required by economic actors to invest in the medium or long term very limited¹².

As for the perceptions of investors and entrepreneurs, it clearly shows to what extent citizens believe in the difficulty of Doing Business in Morocco. In the 2019 Economic, Social, and Environmental Council’s report¹³, which included the results of an expanded national survey on Moroccan citizens’ perception of the new development model, one of the questions asked to 5818 citizens was about the ease of Doing Business in Morocco¹⁴. According to the findings, “60.65% of respondents said that Doing Business is “extremely difficult”, while only a small percentage of 2.58% of them said it was “very accessible”. Yet, more than 60% who said it was “very difficult” are based in the regions of Casablanca-Settat and Rabat-Kenitra both of which have the highest percentage of businesses (industrial and services).

10 Chauffour, J. P. (2017). *Le Maroc à l’horizon 2040: Investir dans le capital immatériel pour accélérer l’émergence économique*. The World Bank., p 150.

11 Ibid. Op.cit, p 150.

12 Ibid. Op.cit, p 158.

13 Previously chaired by Chakib Benmoussa, Head of the New Development Model Committee. Members of this latter include Ahmed Reda Al-Shami, current Chairman of the Council.

14 The Economic, Social, and Environmental Council (2019) - Morocco’s New Development Model: nput of the Economic, Social, and Environmental Council - p. 145.

Table 1: Do you think entrepreneurial work in Morocco is currently easy?

Level	Female	Male	Total participants
(Extremely difficult) 1	16.31%	19.45%	18.58%
2	41,15%	42,42%	42,07%
3	29,36%	25,72%	26,73%
4	10,73%	9,77%	10,04%
(Very accessible) 5	2,45%	2,63%	2,58%

Source : The Economic, Social, and Environmental Council

Indicators for governance and Business Climate

The technical measures taken by government to improve Business Climate are important but remain largely insufficient. Business Climate is not only dependent on regulations set out by bureaucrats, but it is also affected by the nature of political and economic institutions and the quality of the human capital. In this regard, many other international reports confirm the fragility of governance institutions in Morocco. These include the “Worldwide Governance Indicators” (WGI) published by researchers in the World Bank¹⁵. Since 1996, WGI reports has been covering six major dimensions of governance worldwide, including: (1) voice and accountability, (2) political stability and absence of violence and terrorism, (3) government effectiveness, (4) Regulatory quality, (5) rule of law, and (6) control of corruption. These components combine together political and economic indicators produced by over 40 data sources¹⁶ worldwide, which makes it the closest accurate description of the quality of institutions in each of the countries covered in this report.

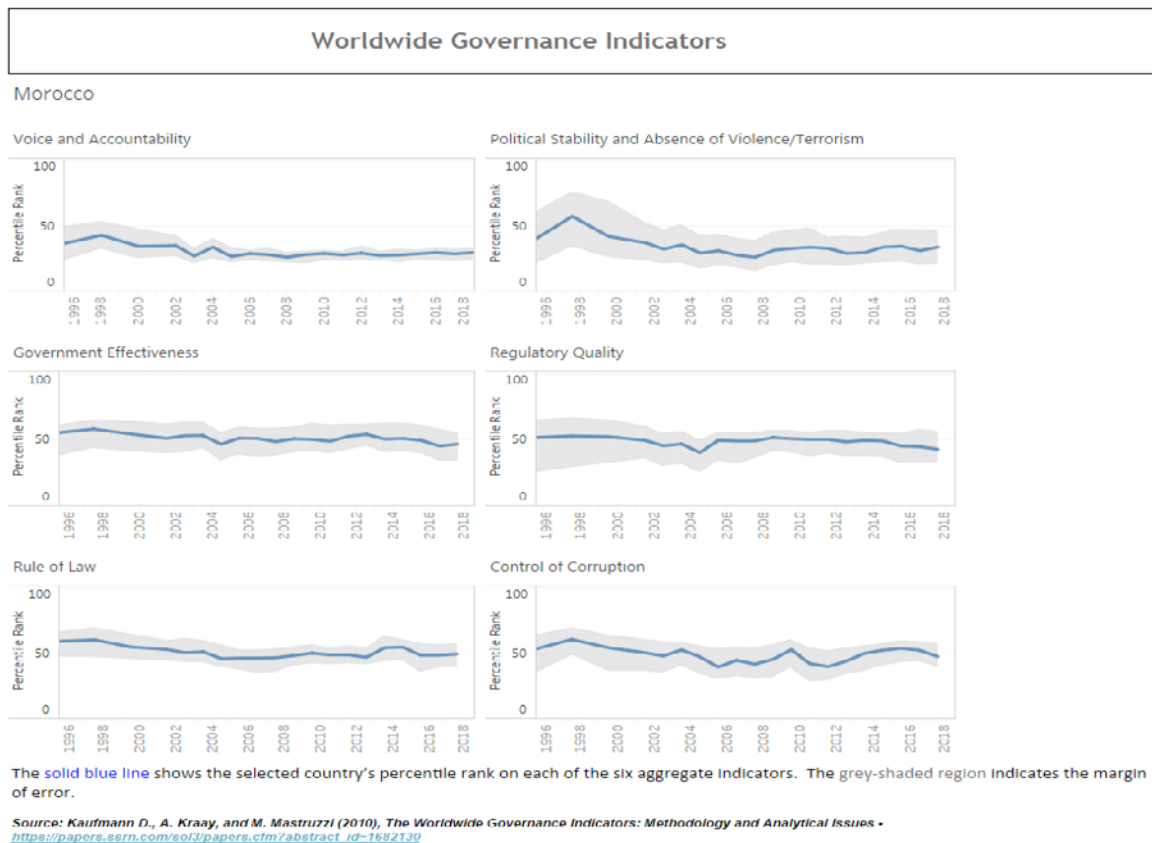
Morocco’s indicators have revealed poor quality of economic and political institutions. Despite the progress made during the period between 2008 and

15 World Bank. The Worldwide Governance Indicators (WGI): info.worldbank.org/governance/wgi/

16 The authors of WGI report combine data from a large number of reports produced by research institutes, including: African Development Bank CPIA, Afrobarometer, Asian Development Bank CPIA, Business Enterprise Environment Survey, Bertelsmann Transformation Index, Freedom House Countries at the Crossroads, Economist Intelligence Unit, Freedom House, World Economic Forum Global Competitiveness Survey, Global Integrity, Gallup World Poll, Heritage Foundation Index of Economic Freedom, CIRI Human Rights Database, IFAD Rural Sector Performance Assessments, Institutional Profiles Database, Latinobarometro, World Bank Country Policy and Institutional Assessments, Political Risk Services International Country Risk Guide, US State Department Trafficking in People report, Vanderbilt University Americas Barometer Survey, IMD World Competitiveness Yearbook, World Justice Project et IHS Global Insight Country Risk Rating.

2018 in terms of voice and accountability, political stability, and the absence of violence and terrorism, the rule of law, and control of corruption, the country has not been able to exceed the 50-point threshold (out of 100) which reflects a medium level governance. In the same period, Morocco's score in government effectiveness and regulatory quality dropped compared to the period 1996-2002.

Graph 3: Worldwide Governance Indicators: The Case of Morocco



Source: Worldwide Governance Indicators

These indicators provide a general overview of the quality of political and economic institutions in Morocco. Fluctuation in the development of these indicators reflects the volatility and confusion of political reforms which largely remain unfulfilled promises for the past two decades. This also shows the deficiencies of “incomplete set of reforms” which produce setbacks that threaten the country's sustainable political and economic development.

Frame 1

Morocco in the “Worldwide Governance Indicators”

Between 2008 and 2018. With respect to “Voice and Accountability” indicator which captures the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media, Morocco’s rates slightly improved from 25.96/100 in 2008 to 29.56/100 in 2018. For “Political Stability and Absence of Violence/Terrorism” indicator, which measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism, the country’s score has increased from 25.96/100 in 2008 to 33.81/100 in 2018. This is the best performance so far if compared to what had occurred with the other three indicators in the last decade.

With respect to the “Rule of Law”, which captures perceptions of the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence, Morocco moved from 46.63/100 in 2008 to 49.52/100 in 2018. In terms of “Control of Corruption”, which captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests, Morocco has shown a slight improvement, moving from 41.75/100 in 2008 to 47.60/100 in 2018.

In contrast, there was a drop in the “Government Effectiveness” indicator, which captures perceptions of the quality of public services, and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies (and which has moved from 48.54/100 in 2008 to 46.63/100 in 2018). In addition, the “Regulatory Quality” indicator, which measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development, has dropped during the last decade (from 49.03/100 in 2008 to 42.79/100 in 2018).

In addition to governance, vulnerability and the fragility of political-economic policies, Morocco, in the last two decades, has been suffering from the erosion of an important economic institution in charge of protecting private property rights. According to several indicators¹⁷, Morocco has been on a downward trend in protecting private property rights. This explains, partly, the slowdown in private investment, hence, the economic downturn in the country.

Property Rights Protection and Private Investment

Researchers have often linked protection of property rights to economic progress. The property rights institution is considered one of the major economic institutions in promoting private investment. Without private property protection, the efforts of the unprotected investors can be looted which could damage investment incentives.

Economists Acemoglu and Johnson (2005)¹⁸ have shown in their research on “Property Rights Institution” that it has a considerable long-term impact on economic growth, investment, and financial development. Besides, “the contracting institutions” (which are in charge of executing these contracts with clients) are only important for the format of the financial intermediary. The two economists explained this by the fact that individuals often find ways to amend the terms of their official and unofficial contracts in order to avoid the damaging effects of the fragile contracting bodies. However, they have a harder time in alleviating the effects of having their properties confiscated or looted due to poor government’s property rights protection.

Property rights protection and the execution of contracts require robust legal institutions. In fact, Economies without strong legal bodies capable of protecting property rights share a feature of having low incentives for human and material investments as well as for the promotion of innovation and creativity. The private property protection indicator is one of the most important indicators

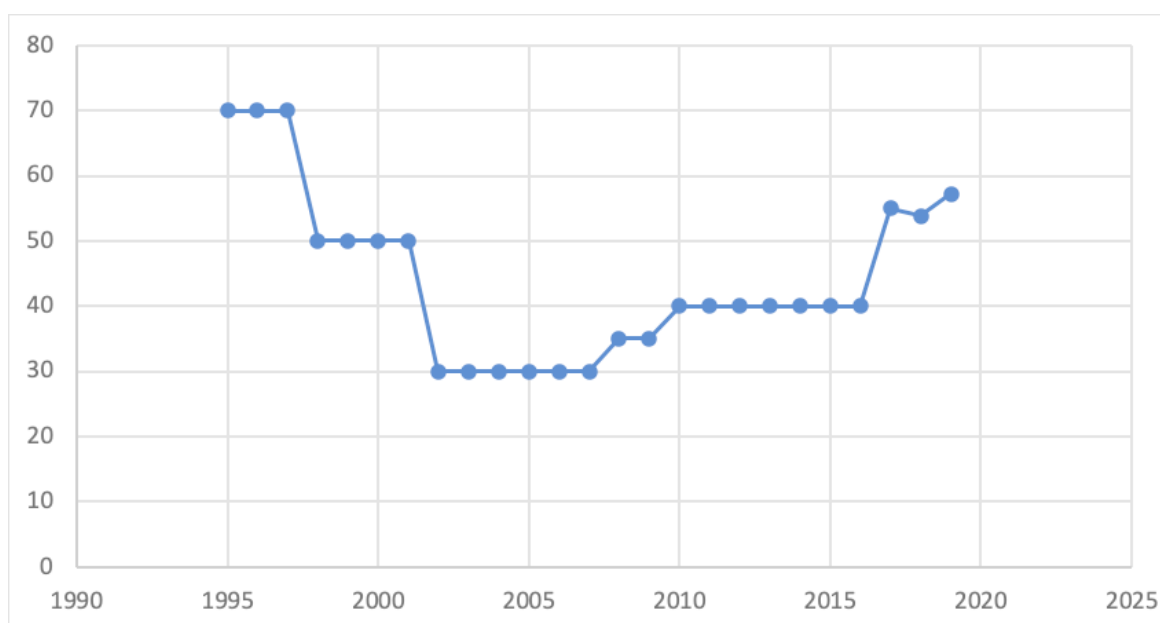
17 In this article, we shall rely on the indexes of the Heritage Foundation and the Canadian Fraser Institute, which are considered some of the most important institutes which provide statistics with regards to protection of property rights worldwide.

18 D. Acemoglu, Johnson S. 2005. “Unbundling institutions”. *Journal of Political Economy* 113 (5), 949-995, p.949.

which are overlooked by the World Bank’s “Doing Business” report. This may be because the World Bank experts are convinced that governments’ commitment in this regard is difficult to achieve. This type of reform would require a considerable long time in comparison with the change in technical indicators adopted to conduct the report.

In this context, several international reports have confirmed the Moroccan government’s weakness in private property protection. The Heritage Foundation’s “Economic Freedom” Index¹⁹ (Graph n° 4) indicates the Moroccan government’s inability to protect private property. Morocco’s data has shown a drop in government’s commitment to protect private property in the years that followed 1997. This has continued until 2007, after which Morocco saw a sustained, albeit slow, improvement in this index. This latter has relatively continued to progress until 2019, but has never managed to go back to the same level reached in the early 1990s. This is mainly due to the Moroccan justice system’s inability to protect private property rights, except when it involves powerful economic cronies.

Graph 4: Protection of Private Property Rights in Morocco



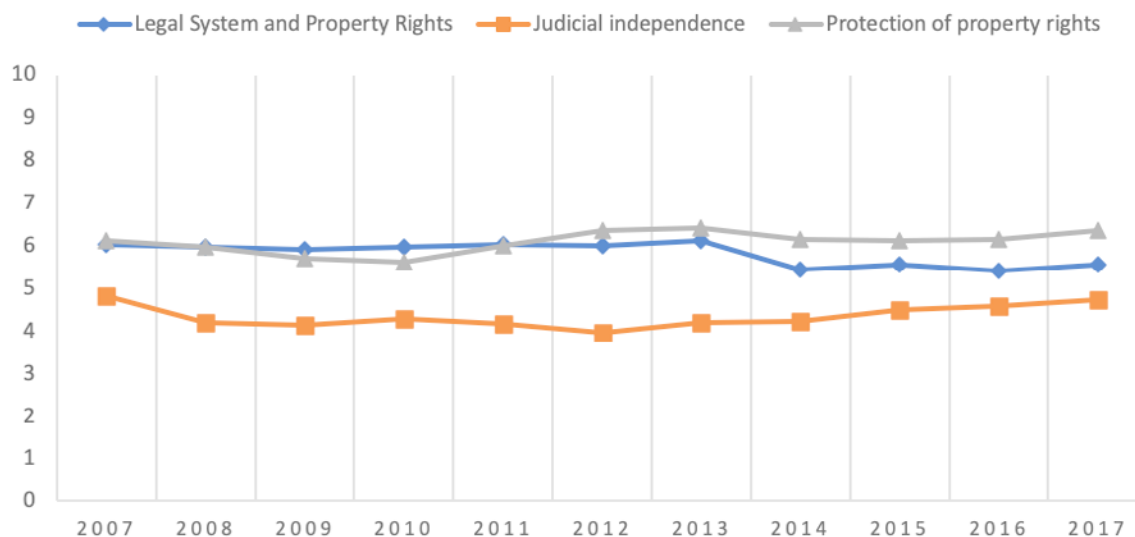
Source: The Heritage Foundation

¹⁹ This index confirms property is considered to be considerably protected when the index is close to 100 points, whereas private property is considered not protected at all when the index is close to 0.

These results have also been confirmed by the Fraser Institute's data, which devotes a considerable part of their annual "Economic Freedom of the World" report to examining private property protection. Morocco's private property protection rate between 2007 and 2017 was less than 6.5 out of 10 (with ten referring to full protection of private property). For the independence of the judiciary, which is in charge of protecting the properties of both individuals and investors, the rate has been less than the 5 points out of 10 throughout the entire period.

This is an unpromising indicator for private investors who need solid justice institutions to protect their properties.

Graph 5: Protection of Private Property Rights in Morocco



Source: Fraser Institute

In the World Economic Forum's 2019 Global Competitiveness Report, Morocco scored 71.6 points out of 100 in the protection of private property indicator²⁰, which is a good score (Finland, which came first, scored 93.4 points). As for the pillar of "Institutions", which assesses security, property rights, social capital, checks and balances, transparency and ethics, public-sector performance, future orientation of government, and corporate governance, Morocco

20 World Economic Forum, Executive Opinion Survey: <https://cutt.ly/Ct9fjG0> (Accessed: 13 April 2020).

has only scored 60 points out of 100 in 2019 ²¹, which highlights the fragility of the overall institutional framework of the country.

Probably, the government has recognized investors' lack of trust in the justice system. This what explain the message of the King Mohamed VI to the participants in the second session of Marrakech International Justice Conference held on 21 October 2019, as he said “creating the right conditions for investment requires not only the overhaul of incentive legislation, but also the provision of legal and economic guarantees that ensure confidence in the judicial system and provide full security for investors”²². This is considered an official acknowledgment of the Moroccan judiciary's inability to protect private investments and the inadequacy of improvement in Morocco's “Doing Business “ ranking and the technics adopted by the World Bank in encouraging investors and safeguarding their rights.

In fact, Moroccan citizens tend to be suspicious of their justice system. The Moroccan Institute for Policy Analysis's “Trust in Institutions Index” has shown that 49.6% of Moroccans surveyed do not trust their justice system²³. Deterioration of private property rights protection in Morocco in the last couple of decades is not solely attributed to the justice system's incapability to guarantee the private property protection but also to the State's failure in enforcing the market and competitiveness regulations, strengthening economic freedom, and fighting corruption and leveraging strong lobbies.

Economic freedom and quality of Business Climate

As noted earlier, Doing Business is primarily linked to the nature and quality of the economic institutions. The Economic Freedom indexes issued by the Heritage Foundation and the Fraser Institute are leading measures that assess the quality of institutions worldwide. Both indexes underlined Morocco's regression in the ease of “Doing Business “ and free markets throughout recent

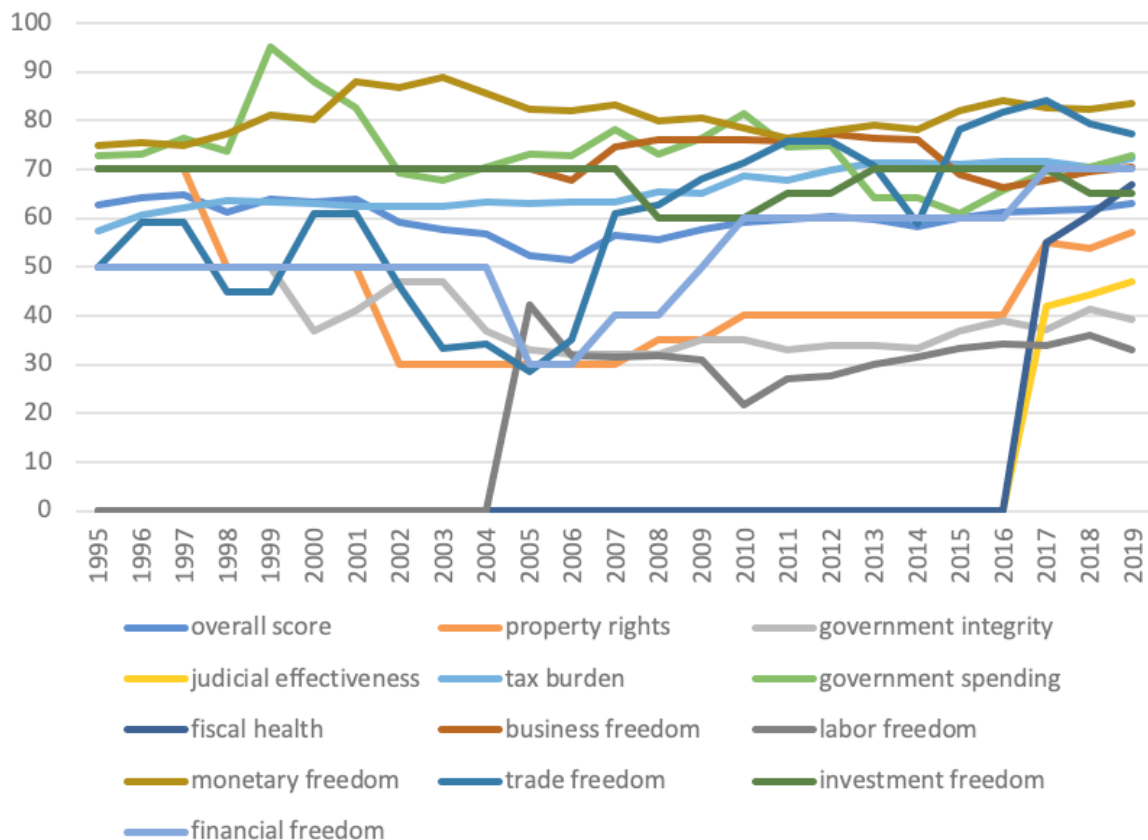
21 World Economic Forum, Executive Opinion Survey: <https://cutt.ly/3t9fQX1> (Accessed: 23 April 2020).

22 The Prime Minister's site: “His Majesty the King addressing the participants in the second session of the Marrakech International Justice Conference”.

23 Moroccan Institute for Policy Analysis (2019): Quality and Trust in Institutions Index: Primary Findings (<https://mipa.institute/7141>)

years. This is one of the factors which explains the contrast between the improved “Doing Business” ranking and the country’s economy which is characterized by bureaucracy, corruption, and lack of economic freedom.

Graph 6: Economic Freedom and Business Freedom Indexes in Morocco



Source: The Heritage Foundation

Some of the 13 indicators used in measuring for the Heritage Foundation report have more significant impact on Business Climate and Doing Business in any country. These indicators include property rights protection (which we examined earlier), economic freedom, freedom of investment, fiscal freedom, labor freedom, monetary freedom, and trade freedom.

Frame 2

The Heritage Foundation Index - Morocco

Business freedom: Morocco's ranking in the Index of Economic Freedom, which measures government's efficiency in the field of business regulation, shifted from 70 points in 1995 to 77 in 2012. Yet it soon dropped in the years that followed 2012 to finally stabilise at 70.3 points in 2019.

Economic freedom: between 1995 and 2019, economic freedom rates fluctuated between 62.8 and 62.9. This is similar to the figure suggested by the Fraser Institute's Economic Freedom in the World report (Chart 2).

Investment freedom: as per the data provided by the Heritage Foundation's database, the investment freedom rate has declined from 70 points in 1995 to 65 points in 2019. Yet, the worse score was recorded between 2009 and 2010 (60 points).

Degree of fiscal freedom: a certain improvement has been noted in reducing tax burden. The rate moved from 57.5 point in 1995 to 72.2 in 2019. This is a fairly good score, with room for more improvement.

Labor freedom: according to the Heritage Foundation's Index, this is the lowest score of all other components. The Labor Freedom rate declined to 21.7 in 2010. This is mainly due to the lack of flexibility in the Moroccan labor market. This has a considerable impact of job creation by private businesses.

Financial freedom: Morocco has managed to improve the country's financial freedom and to move from 50 points in 1995 to 70 points in 2019. This shift reflects Morocco's efforts in easing access to funding for investors in recent years as well as in the reform of banking system and exchange market - two ground-breaking measures taken within this context.

Monetary freedom: Morocco had the highest score in this component according to this database. The index increased from 75 points in 1995 to 83.5 in 2019, which confirms that Morocco has a relatively good monetary system. Yet, Morocco needs to liberate its national currency, but seems to stumble its way through following a very small step taken by the Central Bank towards a partial liberation of the Moroccan Dirham.

Trade freedom: between 1995 and 2019, Morocco's score increased from 49.8 points to 77.4 points. This improvement showcases the efforts to free foreign trade during the last three decades (free trade agreements and exemption from customs duties, etc).

Considering these indicators (Graph 6), data relevant to Morocco from 1995 all through 2019 shows that only 3 indicators out of 13 have exceeded 70 points out of 100, while, the rest of component measures are limited between 50 and 70 points. There are also 3 components with less than 50 points up until 2019. These are: labor market freedom, justice system efficiency, and governmental integrity.

Chart 2: Morocco's Economic Freedom Score

Years	Global Ranking	Rates
1995	71	5.8
2000	87	5.96
2001	94	5.81
2002	93	5.93
2003	94	6.06
2004	94	6.04
2005	94	6.29
2006	100	6.25
2007	95	6.35
2008	96	6.36
2009	96	6.42
2010	101	6.52
2011	102	6.55
2012	103	6.55
2013	102	6.58

Years	Global Ranking	Rates
2014	108	6.50
2015	103	6.57
2016	99	6.58
2017	92	6.69

Source : The Fraser Institute

Chart 2 above illustrates the development of Economic Freedom Index in Morocco and its ranking internationally. The measure of this index includes five aspects: size of government, legal structure and property rights, access to sound money, freedom of trade, regulation of credit, labor and business. The above table shows a drop in Morocco's global ranking from 71st in 1995 to 92nd in 2017. Table 2 indicates that Morocco was not among the top 100 countries in terms of economic freedom between 2009 and 2017, which is the same period during which Moroccan officials continuously pictured improvement in Doing Business ranking as a sign of economic reform and investment and growth. However, results at these two levels confirm that an improvement in Doing Business index does not guarantee any economic growth or increase in investment if a country is deteriorating in the fields of economic freedom and property rights protection. During that same period, and regardless of improvements in Economic Freedom Index, the improvement remained very small, shifting from 5.8 to 6.69 in 23 years, at a time during which many countries took a huge leap forward in liberating their economies and, therefore, reaping economic benefits in terms of growth and attraction of foreign investments.

The data presented by the Heritage Foundation, the Fraser Institute, and World Economic Forum emphasize the vulnerability of economic liberation in Morocco, domination of rentier economy, stagnation of laws, influence of intervention of the State and its elites in the economy, and absence of free competition in the markets. The rentier nature and the crony capitalism block the growth of a competitive and innovative private sector with a capacity to enjoy gains on the level of productivity.

Rentier economy: corruption and crony capitalism

Corruption affects Business Climate and hampers economic development. It can also curb growth and eliminate incentives for creativity²⁴, if combined with the lack of enforcement of competition laws, lack of property rights protection, and the existence of an ineffective justice system. Some economists argue that the high perceived levels of corruption, the weakness of political and economic institutions and lack of political stability would result in fluctuations in the macro-economic indicators and hamper economic development of the country²⁵.

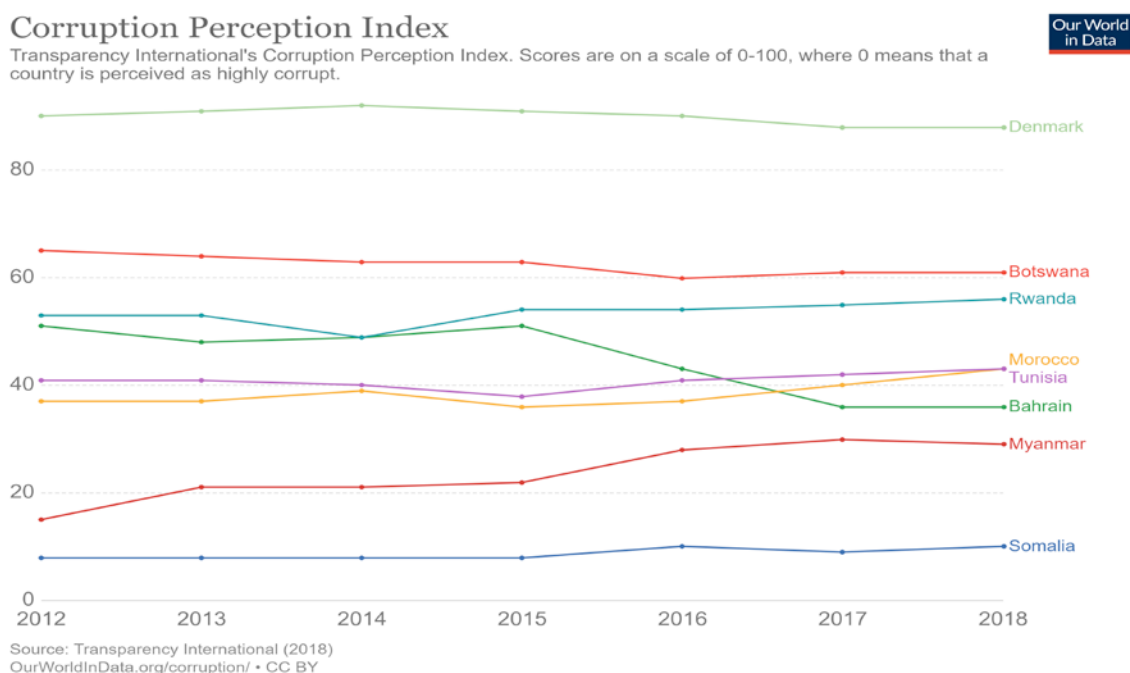
In addition, the Heritage Foundation's data proves the existence of widespread corruption in Morocco. The Freedom from Corruption factor has declined from 50 points in 1995 to 39.2 in 2019. This drop had clear repercussions on investment, direct foreign investment attractiveness, and economic development, particularly if compared to the achievements of other emerging countries over the last two decades. This decline was also confirmed by the 2019 Transparency International's figures according to which Morocco dropped in ranking from 73rd to 80th (out of 180 countries). Morocco's ranking also dropped from 43 points to 41 in 2019 Corruption Perceptions Index between 2018 and 2019²⁶, which also showed that the widespread of corruption in Morocco is a structural problem. During this decade, the corruption index remained less than 50 points (out 100), which is very high even in comparison with African countries less developed than Morocco, as it is shown in the following graph.

24 E. Tebaldi. B. Elmslie. 2013. 'Does Institutional quality impact innovation? Evidence from cross-country patent grant data'. *Applied Economics* 45 (7), 887-900.

25 Acemoglu, D., Johnson, S., Robinson, J., & Thaicharoen, Y. (2003). Institutional causes, macroeconomic symptoms: volatility, crises and growth. *Journal of monetary economics*, 50 (1), p.49.

26 Consult: <https://cutt.ly/7t9f7zw> (Accessed: 17 February 2020).

Graph 7: Morocco's Corruption Perception Index in Comparison with Other Countries



Source: Our World in Data

The findings of the Trust in Institutions Index, produced by MIPA, confirmed Moroccan citizens' suffering of widespread corruption and rentier economy. 74.1% of those surveyed said they were not satisfied with the government efforts to fight against corruption²⁷. This gained significant momentum particularly during a wave of unprecedented economic boycott in 2018 against 3 companies²⁸ which are, according to the boycotting consumers, an embodiment of monopoly and combination of money and power. Despite the intensity of this unprecedented boycotting campaign, government and governance bodies, namely the Competition Council, have not managed so far to set effective mechanisms to unbundle the monopoly of some markets in Morocco until this day, despite the existence of the Free Pricing and Competition Law, which also remains merely words on paper. While citizens boycott products in markets due to the lack of competition and high costs, entrepreneurs' boycott can be seen in their refrain from investing in a Business Climate that lacks clarity and sufficient guarantees.

27 Moroccan Institute for Policy Analysis (2019): Trust in Institutions Index: Preliminary Findings (<https://mipa.institute/7118>)

28 The economic boycott campaign was aimed at the French company "Danone", subsidiary of Akwa Group "Afriquia Gas", and the mineral water brand "Sidi Ali" produced by Groupe Holmarcom.

Conclusions and Recommendations

Morocco's improved ranking in Doing Business is not necessarily a guarantee for private investment and economic growth. Promoting investment is associated with a set of institutional reforms and in particular reforms related to the system of governance, promoting property rights protection, labor markets freedom, fight against corruption, and fighting conflict of interest. The state's continued process of economic liberalization, promoting economic freedom, guaranteeing fair competition in market economies, and reforming the Moroccan public service can build trust between local private investors and can contribute in attracting more direct foreign investments.

Any Business Climate reform in Morocco must set as a primary objective attracting more foreign investments. This can only be achieved through adapting the quality of Moroccan political and economic institutions to the same institutional standards in the fastest growing emerging economies and other economically developed nations, particularly in terms of protection of property rights, competitive markets, and decreasing the state's intervention in the economy as well as that of its elites.

For governance, institutions such as the Competition Council, the National Commission for Integrity and Anti-Corruption, and the Economic, Social, and Environmental Council are required to play bigger roles in supporting economic freedom and free competition. Their constitutional role, which is a part and parcel of their core powers, set the ground for solid institutional regulations that can guarantee a solid and positive climate for business and entrepreneurship through the acceleration of economic freedom and commitment to the enforcement of Law N° 99-06 on Freedom of Pricing and Competition.

The work of the special committee in charge of the new development model and their recommendations regarding the reform of Business Climate in Morocco should go beyond the technical measures proposed by the Doing Business report. It should introduce a more comprehensive institutional reform plan, while taking into account that a decade of technical reforms did not achieve any significant results for the country's economic growth.



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