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Deconcentration, political and fiscal decentralization, in Morocco

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Abstract

The paper examines how the Government of Morocco has addressed the issue of decentralization in recent years and how these processes have evolved and affected fiscal and public policies. More specifically, this paper analyzes the current legislative and institutional provisions governing administrative, political and fiscal decentralization in Morocco and presents a detailed analysis of the decentralized tax system. It analyses the role of each tier and the political, administrative and fiscal prerogatives of their respective councils.

It appears from this analysis that the Moroccan system is still largely centralized. First, through the continued control of the central government via the *tutelle*. Second, because of the low financial autonomy of the local governments which remain widely dependent on intergovernmental transfers.

Finally, it appears that the shared management of local taxation by different tiers of government can result in a lack of communication and information sharing as well as a lack of commitment from those that manage the collection on behalf of others. The regional level should be given more power to oversee and harmonize the prerogatives of each level of subnational government.

Keywords

Deconcentration, Political decentralization, Fiscal decentralization, Local taxes, Local governments, Morocco.

JEL Codes

H1, H2, H7, D72.

1. INTRODUCTION

« [l] 'organisation territoriale du Royaume est décentralisée.

Elle est fondée sur une régionalisation avancée. »

Article 1, Constitution 2011

The Kingdom of Morocco (Morocco thereafter), located in northwest Africa, is a former French protectorate which became independent in 1956. The population is estimated at 34.3 million inhabitants in 2015, of which about 577,827 live in Rabat. The largest city is Casablanca, with an estimated population of 3.5 million (HCP 2014). Other important cities are Fes, Marrakech and Tangier. About 60 percent of the population is urbanized (United Nations 2014, World Factbook 2016). The GDP per capita is estimated at USD 2,871 (World Bank 2015). Although classified as a lower middle-income country (World Bank 2016c), about 15 percent of the population lives below the poverty line (World Factbook 2016).

King Mohammed VI ascended to the throne on July 23, 1999. He presides over a stable economy marked by steady growth, low inflation, and gradually falling unemployment, although poor harvests and the economic difficulties in Europe (post-2008) contributed to an economic slowdown. In response to the deteriorating economic climate and fiscal trends, Morocco has embarked on a major fiscal consolidation effort since 2013. On average, real GDP grew by 3.8 % during 2013-2015 underperforming its trend of 4.6 % per annum during 2003-2012 (World Bank 2016a).

The paper contributes to the literature on fiscal federalism by undertaking a detailed analysis of the decentralized system in Morocco. More specifically it examines how the decentralization process has evolved during the last years and how it has affected fiscal and public policies. Moreover, it presents the current legislative and institutional provisions governing administrative, political and fiscal decentralization and the administrative and fiscal prerogatives of the different local governments.

The remainder of the paper is organized as follows: Section 2 presents the political system, Section 3 analyses the administrative and political decentralization. Finally Section 4 summarizes the fiscal resources of the three local levels before concluding in section 5.

2. THE POLITICAL SYSTEM

Morocco is a parliamentary constitutional monarchy. The most recent Constitution was approved by referendum in 2011.

Morocco has implemented a wide-range of reforms which set the basis for a more open and democratic society, a more modern state of law and institutions, greater separation of powers, and increased decentralization (World Bank 2016a). In 2015 the number of regions has been reduced from sixteen to twelve.

The law is a hybrid civil law system, based on French and Islamic law. The country held regional and municipal elections in September 2015 which should deepen the decentralization agenda and local governance. Even before 2011 the institutional evolution of local government in Morocco has gone through several reforms. Various laws and decrees have been passed¹ to expand the jurisdiction and resource system of sub-national government (Burn et al. 2005).

The King appoints the Head of Government and the members of the Government, and chairs the Council of Ministers. The Head of Government is appointed from the political party that won the elections of the members of the House of Representatives. The King promulgates the law, can dissolve the two Houses of Parliament, addresses messages to the Nation and the Parliament. He is also the head of the Royal Armed Forces. He accredits the ambassadors and presides over the Superior Council of the Judiciary.

The 2011 Constitution strengthens the role of the Head of Government, however the King continues to play an important role in the executive power.

¹ These include the first Communal Charter (Law of 3 June, 1960, Decree of December 2, 1959); the second Communal Charter (Law of September 30, 1976); a new communal reapportionment adopted in 1992 (Decree of 30 June, 1992) which doubled the number of communes; a further new Communal Charter (Law No 78-00 of October 3, 2002).

2.1 ELECTIONS

Two types of elections are held in Morocco: municipal elections and legislative elections

The municipal elections of 1960 constituted the starting point of the Moroccan electoral experience. It consists of the election of the municipal councils by universal suffrage for a period of six years. In September 2015, municipal and regional elections were held for the first time to elect the regional and the municipal councils.

There were eight municipal elections since 1960 (1963, 1969, 1976, 1983, 1992, 1997, 2003, 2009) and one municipal and regional election in 2015.

For municipal elections, the participation rate remained around 70-75% until 1997 (with the exception of 1976, when participation was down to 66%) and went down to around 51-54% in the era of the King Mohamed VI. The participation rate was 53% in the last local elections.

The legislative elections are held to elect the members of the House of Representatives. A minimum of 6% of votes is required to obtain a seat, and this threshold has been revised to 3% since 2016. Ten legislative elections have been held since 1960: 1963, 1970, 1977, 1984, 1993, 1997, 2002, 2007, 2011 and 2016.

The participation rate has declined over the last few years, for instance the rate went from 85% in 1984 to 37% in 2007; it then increased slightly to reach 43% in 2016.

2.2 THE PARLIAMENT

The Parliament is composed of two Chambers:

- ***The House of Representatives***: members are elected during the legislative election by a direct universal suffrage for 5 years. The role of the House of Representatives is to support, sanction or vote the resignation of the government. It also proposes and passes laws, controls the government and approves the government budget.
- ***The House of Councilors*** was composed of 270 members, elected by an indirect suffrage for a period of 9 years. However, with the new Constitution of 2011, the number of members has been reduced to a minimum of 90 members and a maximum of 120 members, elected by an indirect universal suffrage for six years.

Three-fifth of the members represent local authorities allocated by taking into account the size of their population. In which, one third is elected among the members of each regional council. The remaining two thirds are elected among the members of the municipal, provincial and prefectural councils.

Two-fifths are members elected at the national level by an electoral college composed of representatives of employees and at the regional level by electoral colleges composed of elected representatives of the Professional Chambers and the most representative employers' organizations.

The Head of Government presents his work program before each of the two Chambers, where it is debated. The House of Representatives is responsible for approving the work program, the role of the House of Councilors being relatively limited.

The House of Councilors and the House of Representatives examine successively draft laws and legislative proposals. One parliamentary session is held on a weekly basis for the counselors' questions and government responses.

3. DECONCENTRATION AND POLITICAL DECENTRALIZATION

3.1 DECONCENTRATION-THE LOCAL ADMINISTRATIVE AUTHORITY²

There are several levels of deconcentration of the central government, in particular: the *Wilaya*, corresponding to the regional level; the *Governor* at the prefectures and provinces level; the *Pachaliks* (urban administrative districts) and the *Caidate* (rural administrative districts) (See Appendix A).

The *Wali* is a high official representing the central power at the regional level. He is responsible for coordinating regional activities and concluding acts of the central authority in the region. Finally, he exercises oversight over the regional council: he is the executive authority of the region.

² There is no legislative or regulatory text that uses the term "deconcentrated authority". The constitution, revised in 1996, refers to them as "local government authority".

The *Governor* is appointed as the representative of the executive government in the province or prefecture according to the *Dahir* of February 15, 1977. The *Dahir* (Royal decree) specifies the powers of the *Governor* who ensures the application of laws and regulations, as well as the execution of government directives and decisions. Thus, he has the power to take the necessary regulatory or individual measures, within the limits of his powers.

Besides the *Walis* and the *Governors* there are the *Caid* the authority of the *Caidate* and the *Pasha*, the official authority of the *Pashaliks*.

Moreover, there are external services defined by the Decree of 20 October 1993 on administrative deconcentration. Indeed, most ministries have external offices usually located in each province or prefecture to ensure administrative deconcentration. They may delegate to heads of external offices and the *Governors* to act on their behalf.

However the 2011 Constitution has significantly reduced the role of the representative of the central power (the *Wali / Governor*). The presidents of the councils are now assuming the executive power.

3.2 DECENTRALIZATION

Since its independence, the Moroccan government has started a long process of decentralization. According to the 1996 Constitution, the local governments are composed of the regions, the prefectures and provinces and the municipalities (urban and rural) (See Appendix A).

The three tiers have legal status, financial autonomy and can elect assemblies responsible for managing local affairs democratically. There is no strict hierarchy between the different levels and each local and regional authority has certain autonomy in the sphere of its own competences. This is also reflected in the 2011 Constitution, according to which "no local government can exercise control over another."

This constitution seeks to make the municipality the core of economic, cultural and social progress, the province an intermediate entity and the region a predominant actor in the promotion of regional development. The government has allocated to all of the local

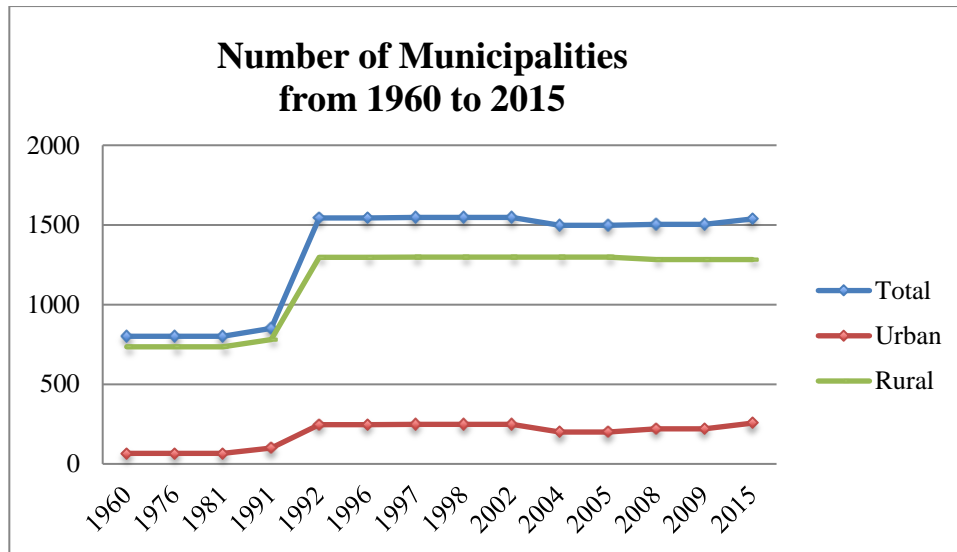
governments a set of financial resources to enable them to fully assume the various tasks delegated to them.

3.2.1 THE FUNCTIONING OF THE MUNICIPALITIES

The *Dahir* of 1956 was the first step toward decentralization through the creation of a municipal government named “commune” and the fixation of its territorial boundaries. The *Dahir* of 1 September 1959 regulates the election of municipal councils. The adoption of the Communal Charter of 23 June 1960 sets the creation, in all urban and rural municipalities, of the municipal councils elected by all Moroccan citizens of both sexes. The political party elected appoints the President of the municipal council that manages the municipality. However, the local administrative authority - *Pacha* or *Caïd* - still retains a very wide regulatory power. Following the Charter of 23 June 1960, the *Dahir* of 1976 constituting a second municipal Charter has been issued. This *Dahir* was replaced by the Charter of October 2002³ “Law 78-00” which profoundly modified the original status of the municipalities by giving them more responsibilities for the management of local affairs and by formalizing the role of the municipal council as the executive power endowed with a very wide powers. The increasing powers of the presidents of the municipal councils have been accompanied by a reduction of the role of the local administrative authority, the *Pachas* and the *Caïds*. However, the law of 2002 conferred to the central authorities the power to exercise a *guardianship (tutelle)* on the municipalities.

The number of municipalities increased progressively since 1960 from 801 to 1503 in 2015. A communal reapportionment adopted in 1992 (Decree of 30 June, 1992) doubled the number of municipalities. The municipalities are mainly rural since more than 80 % are in rural area.

³ The functioning and competences of municipalities are regulated by the *Dahir* n° 1-59-315 relative to the municipal organization.



Source: Author's calculations.

The municipal council

In accordance with the Charter of *October 2002 "Law 78-00"*, the affairs of the municipality are managed by a council whose members are elected for 6 years by a direct universal suffrage, by the first-past-the-post system. The legal number of members varies from 11 to 41 depending on the number of inhabitants of the municipality.

The municipal council consists of the president appointed from among the members of the council, and one or more secretaries appointed by the president.

The president and his associates draw up the agenda of the plenary sessions. The municipal council has a general competence to settle all questions of municipal interest. In fact, the municipal council is responsible for resolving all issues related to economic and social development of the municipality in accordance with the guidelines and objectives set by the national plan. It decides to make or participate in urban restructuring programs, habitat programs, ensuring the preservation and promotion of local architecture. It is responsible for managing local public services, particularly in the electricity and water sectors, and urban transport supply. The municipal council also deals with the collection and treatment of household waste and contributes to the realization, maintenance and management of cultural and sports facilities. It initiates all actions necessary for the promotion of social, cultural and sports activities.

The central government also devotes other responsibilities to the municipal council including the maintenance of schools and health centers, the conduct of reforestation programs, the implementation and the maintenance of training centers and infrastructure equipment.

The municipal council has prerogatives in local fiscal matters, particularly in setting the rates and tariffs of certain taxes, managing the tax base, collecting and controlling the various taxes and charges, with the exception of the business license, the residence tax and the tax on communal services.

The council exercises other functions, such as: voting the budget, fixing the equipment programs, advising the central government on actions to be taken to promote local development.

Under the law, two standing committees are formed by the council and are responsible for reviewing economic matters that must be submitted to the plenary assembly: the Financial and Fiscal Affairs Committee and the Committee on Economic and Social Affairs. These committees are chaired by the President or his delegate.

The municipal executive branch

According to the Charter of *October 2002*, the president of the municipal council is the executive authority of the municipality. He chairs the municipal council, officially represents the municipality in all civil acts, and in administrative and judicial affairs.

The president chairs the meetings of the council excluding sessions devoted to the examination and the vote of the administrative account. The president carries out the deliberations of the council, executes the budget of the municipality, approves tax rates, proceeds to the conclusion and execution of the loan contracts, and concludes contracts on behalf of the municipality. It is up to him to represent the municipality in court, except when he is concerned by a case personally or as an agent.

The power of guardianship: Tutelle

Despite the Charter of *October 2002* "Law 78-00" which provides the municipalities with more responsibilities and the president of the municipal council with the executive power, a series of municipal council decisions are subject to the guardianship (*tutelle*) of the

central government. For urban municipalities, the *tutelle* is exercised by the Ministry of Interior and the Ministry of Economy and Finance. For rural municipalities the *tutelle* is exercised by the *Governor* and the Ministry of Economy and Finance. This *tutelle* affects both the members and the actions of the municipal council. It takes the form of a system of prior approval of the deliberations concerning essentially financial matters or the definition of taxes rates and fees, or an ex post regularity control on the deliberations which are automatically enforceable.

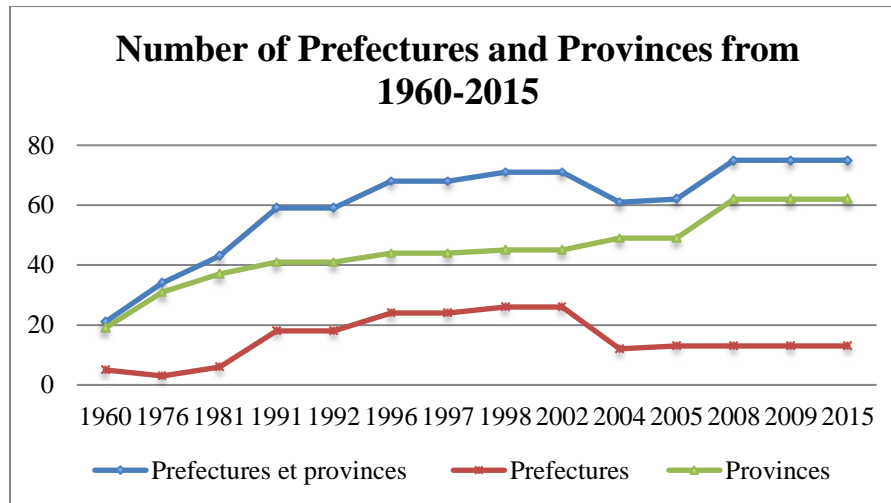
3.2.2 THE FUNCTIONING OF THE PROVINCES AND PREFECTURES⁴

In 1963 a second level of decentralized government was created, the prefectures and provinces, covering urban and rural areas respectively. The prefecture or the province is a local government endowed with legal status, administrative and financial autonomy. The status of the provincial and prefectural assemblies is fixed by the *Dahir* of 12 September 1963, which provides them with a deliberative power, but attributed the executive power to the *Governor*, the representative of the central government, as defined by the Article 95 of the 1962 Constitution.

The prefectural and provincial territorial division has been revised on several occasions; the changes introduced aimed at the creation of increasingly small territorial units to bring the central government closer to the citizens and promote the economic and social development of the territory. Although it has real powers such as the settlement of administrative or economic matters, the powers of the prefectures and provinces are limited.

The prefectural or provincial council decides on the measures to be taken to ensure economic, social and cultural development.

⁴ The functioning and powers of the prefectures and provinces was regulated by the *Dahir* n° 1-63-273 and was replaced in 2002 by the *Dahir* n° 1-02-269 on the organization of prefectural and provincial communities.



Source: Author's calculations.

The provincial or prefectural council

The prefectural or provincial council is composed of two categories of members:

- Members elected indirectly by the communal councils and colleges of professional chambers within the relevant Province or Prefecture. The number of members to be elected in each prefecture and province is fixed by Decree according to the population of the prefecture or the province.
- The council is also composed of a representative of the four professional chambers: agriculture, commerce, industry and services, craft and marine fisheries.

The prefectural or provincial council elects from among its members, a president and several vice-presidents, who form the office of the council. The members of the prefectural and provincial councils are elected for six years. The number of vice-presidents varies between 2 and 5 depending on the legal number of members of the prefectural or provincial council.

The prefectural or provincial council sets up committees to study and to prepare cases to be submitted for examination and vote by the council. Three standing committees are mandatory, each responsible for:

- Budgetary and financial matters;
- Economic, social and cultural development;
- Urbanization, land use and environment.

Each committee is chaired by a president, elected from among its members by the prefectural council.

The provincial and prefectural executive

The *Governor* was the executive at this level. Appointed by *Dahir* (Royal decree) to coordinate the Governments' deconcentrated services, he was in charge of the enforcement of laws and regulations as well as the maintenance of public order. He carried out the deliberations of the council and takes the necessary measures to ensure their execution. He also informs the members of the council and the president of the Committees of the execution of the deliberations of the Council.

However, since the 2011 Constitution, this role has been given to the president of the prefecture/province council, which strengthened the autonomy of this intermediate level.

The power of guardianship: Tutelle

The *tutelle* over decisions of the Provincial and Prefectural Councils is exerted by the Minister of Interior and the Minister of Economic and Finance. A series of decisions such as the budget, the contraction of loans, the creation or participation in enterprises and companies or the acquisition of new building are not enforceable until approved by the *tutelle* authority.

3.2.3 THE FUNCTIONING OF THE REGION

Finally, the region was created in 1971 with the *Dahir* n° 1-71-77 that established 7 economic regions as simple administrative districts without legal authority.

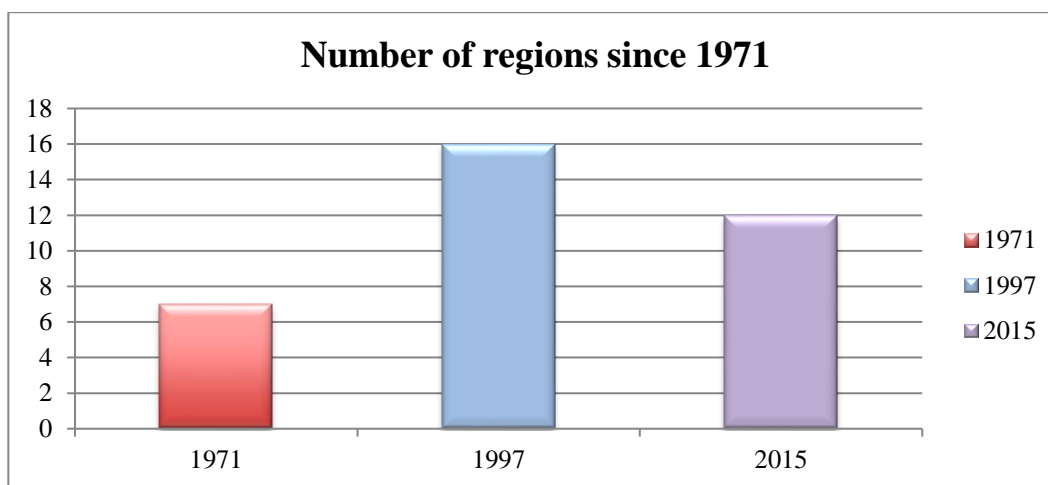
Following the constitutional reform of 1992, the regions are recognized as local government for the first time. The functioning and powers of the 16 regions are determined by the *Dahir* of 2 April 1997 on the organization of the region. It defines the legal framework, the competences and financial resources of the region that operates as a local authority with a council and deliberative power.

The regions have a financial autonomy and play an important role in the Moroccan decentralized system. Indeed, the *Dahir* of April 1997 on the organization of the region provides the regions with the role of promoting the broad-based regional socio-economic

development and the reduction of regional disparities. The regions are supposed to support the cohesion of the local components of the region.

In January 2010, the King of Morocco announced a plan for « extended regionalization » and instructed an ad-hoc commission to prepare a report on this subject.

In June 2011, with a participation rate of almost 75%, the draft Constitution was approved by referendum with 97.5% of positive votes. In July 2011, the new Constitution was promulgated. It contains several important new features; in particular that the number of regions will be reduced from 16 to 12 regions and that the members of the regional councils will be elected by direct universal suffrage. Moreover, the presidents of the regional councils will be responsible for the execution of the deliberations of the councils instead of the *Walīs* representing the central power.



Source: Author's calculations.

The regional council

The regional council is elected by direct universal suffrage for 6 years since 2011. The Regional Council elects from among its members the President and Vice-Presidents. The number of vice presidents varies between 5 and 9 vice presidents depending on the number of inhabitants in the region.

The Regional Councils' responsibilities mainly include the preparation and adoption of the Regional Economic and Social Development Plans (PRDES) and the Regional Spatial Development Schemes (SRAT) in accordance with the guidelines and objectives set by the

national programs (National Economic and Social Development Plan (PNDES) and National Spatial Development Scheme (SNAT)).

In cooperation with the central government and other local governments, especially the municipalities, the region contributes to the economic, social, and cultural development and the promotion of private investments. The regional council also decides on all measures related to environmental protection, training of local government officials and managers, promotion of employment, sport, socio-cultural activities and any solidarity action.

Some other functions are likely to be transferred by the regional government such as the realization and maintenance of hospitals, schools and granting of scholarships, according to the orientations adopted by the government in this matter.

The regional council determines, within the framework of the laws and regulations in force, the tariffs and rules for the collection of some taxes, fees and other charges levied to the benefit of the region.

The Regional Council must constitute standing committees responsible for reviewing local affairs that must be submitted to the plenary assembly. There are at least seven standing committees:

- Financial and budgetary issues;
- Planning and land use issues;
- Economic, social and employment promotion issues;
- Agriculture and rural development issues;
- Health and hygiene issues;
- Urban planning and the environment issues;
- Culture, education and professional training issues.

The regional executive branch

According to the *Dahir* of 1997 on the organization of the region in Morocco, the local administrative authority representing the central power at the level of the region is the *Wali*. He is in charge of the execution of the deliberations of the regional council. However, the 2011 Constitution comes with an important transformation of the functioning of the

regions. By analogy with what exists for the municipalities, the President of the Region Council will be responsible for the execution of the deliberations and decisions of the Council rather than the *Wali*.

The power of guardianship: Tutelle

The *tutelle* is exercised by the administrative court and the regularity of the budget and financial management is ensured by the intervention of the regional court of accounts.

The decisions of the Regional Council on subjects such as the budget, the contraction of loans, the definition of taxes rates and fees or the acquisition of new building are executed only after approval by the *tutelle* authority. In case of disagreement, the regional council may refer the matter to the administrative Court.

4. FISCAL RESPONSABILITY - BUDGETARY RESOURCES

4.1 NATIONAL TAX STRUCTURE

The General Tax Administration (i.e., *Direction Générale des Impôts*), housed within the Ministry of Economy and Finance, administers the following taxes:

- All national taxes (including the Corporate Income Tax, the Personal Income Tax, the Value Added Tax, custom duties, as well as registration and stamp duties);
- Certain local taxes managed on behalf of local authorities (namely the residence tax, tax on communal services and the business license).

The General Tax Administration has a branch in each region responsible of the collection of local government taxes administered on behalf of local authorities. At the territorial level, the General Tax Administration is organized by type and size of taxpayers. Each taxpayer thus has a single point of contact dealing with issues relating to various taxes. The taxation system is basically declarative, which makes control and audit critical functions. Tax audits are performed by following strict procedures that uphold the rights of taxpayers (Tax Administration 2016).

4.2 SUB-NATIONAL TAX STRUCTURE

A significant reform of the sub-national fiscal regime commenced in 2007 with the enactment of Act No. 47-06 (published in the Official Gazette No. 5583, December 3, 2007), supplemented by Law 39-07 (published in the Official Gazette No. 5591, December 31, 2007). According to the Local Tax Guide (2008) these laws were introduced to:

- Simplify local taxation and to improve their administration;
- Adapt and align local taxation with the decentralization program by strengthening fiscal autonomy; and
- Harmonize state and local taxation to avoid duplicated taxes.

According to Law No. 47-06, sub-national authorities have the following taxation powers (Appendix C):

- *Regions* have the power to levy the tax on hunting licenses, tax on mining and tax on port services.
- *Provinces and prefectures* may levy the tax on driving licenses, tax on vehicles subject to technical inspection and the tax on the sale of forest products.
- *Urban and rural municipalities* may levy the following taxes and fees: the residence tax, the tax on communal services, the business license, the tax on vacant urban land, the tax on building operations, the tax on housing estate operations, beverage taxes (including tax on bottled water), the tourist tax, the tax on public passenger transport, and the tax on the extraction of quarry products.

In rural municipalities the residence tax and the tax on communal services are only due in delimited centers, peri-urban areas, and holiday resorts and spas. The tax on vacant urban lands is due only in delimited centers.

Two categories of resources will be dealt with: the product of local taxation and the product of local taxation managed by the State on behalf of local authorities.

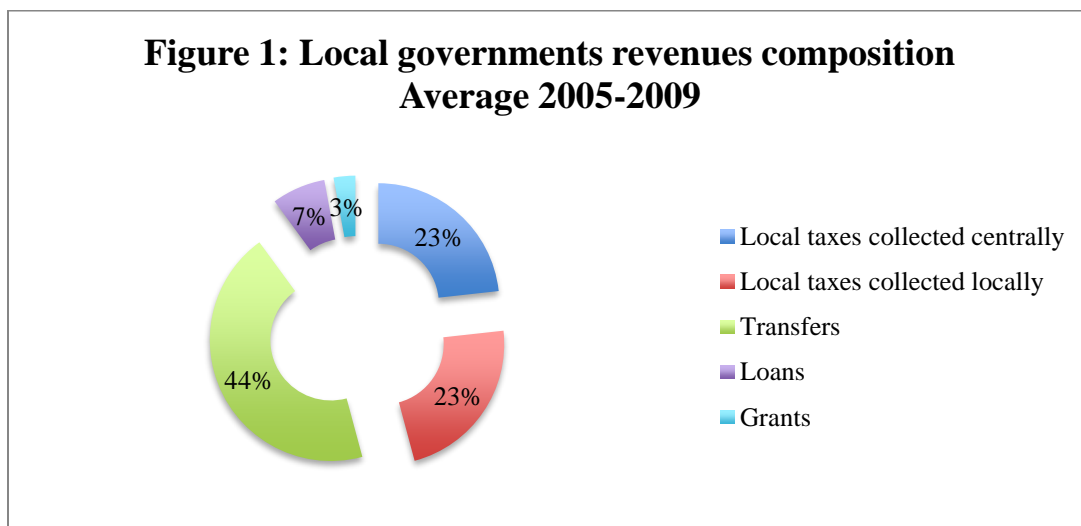
The *Local taxes collected locally* are taxes managed and collected by the local government, which determines the tax base and the tax rate.

Local taxes collected centrally are local taxes managed by the General Tax Administration on the behalf of the municipalities and regions. The General Tax Administration retains

10% of the amount collected to cover the tax collection costs, and allocates the remaining 90% to the local government. The tax base and the tax rate of these taxes are set annually in the central government Finance Act.

Besides, local governments benefit from:

- Transferred revenues.
- Loans.
- Grants

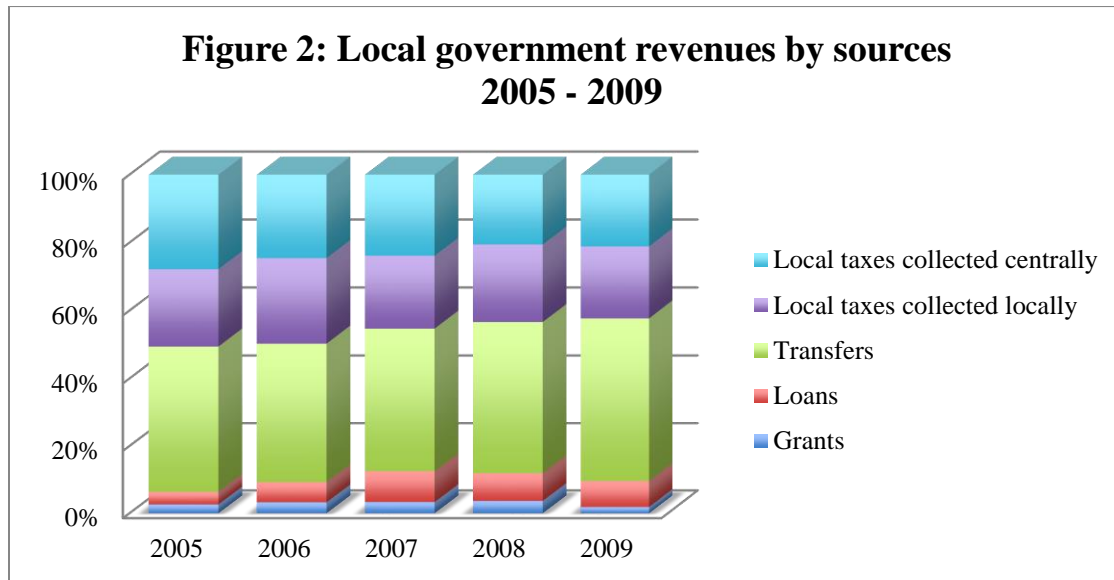


Source: Trésorerie Générale du Royaume, author's calculations

Figure 1 presents the composition of local governments revenues excluding past surpluses⁵. Transfers appear to be the main source of revenues for local governments as they represent on average 44% of total revenues.

As shown in figure 2, the part of transfers and loans in total revenues increased over the period, while revenues collected locally decreased.

⁵ Past surpluses represent on average 39% of local revenues and are excluded from the calculation.



Source: Trésorerie Générale du Royaume, author's calculations.

Table 1 provides an overview of local taxes collected centrally and locally, as well as transfers received from the central government from 2005 to 2009. Local taxes represented more than 46 percent of total local revenues.

Table 1: Tax Revenues of Local Authorities: 2005 – 2009

	2005		2006		2007		2008		2009	
	MAD billion	%	MAD billion	%	MAD billion	%	MAD billion	%	MAD billion	%
Local taxes collected centrally	3,523	24%	3,808	23%	4,088	24%	4,105	22%	4,349	21%
Local taxes collected locally	3,250	22%	4,130	25%	3,870	23%	4,448	24%	4,764	23%
Transfers	7,780	53%	8,400	51%	9,220	54%	9,820	53%	12,047	57%
Total	14,553	100%	16,338	100%	17,178	100%	18,373	100%	21,160	100%

Source: Trésorerie Générale du Royaume, author's calculations.

Subnational tax revenues collected in 2009 were MAD 21.2 billion, an increase of 17% percent compared to 2008. This is due to an increase of 24% in transfers by the State in 2009, an increase of 5 % of revenue administered by local authorities, and 11 % increase in revenue managed by the central administration on behalf of local governments.

Table 2 shows the contribution of taxes and transfers to revenues by type of local government. Not surprisingly urban municipalities generate more local taxes than their rural counterparts (59,9% against 30%).

Table 2: Tax Revenues per Type of Local Authority in 2009

	Urban <i>municipalities</i>	Rural <i>municipalities</i>	Provinces/ prefectures	Regions
Local taxes collected locally	25,8%	23,4%	5,2%	33,1%
Local taxes collected centrally	34,1%	6,5%	-	9,0%
Transfers	40,1%	70,0%	94,8%	57,8%

Source: Trésorerie Générale du Royaume, author's calculations.

4.2.1 LOCAL TAXES

a. URBAN AND RURAL MUNICIPALITIES

Urban and rural municipalities have the power to collect the following taxes⁶:

- **Local taxes collected centrally on behalf of local authorities:** Residence tax; Business license and 95% of the Tax on Communal services.
- **Local taxes collected by the local authorities:** Tax on undeveloped urban lands; Tax on building operations, social solidarity contribution on the construction of housing units, the beverage tax, the tourist tax, the tax on bottled water, the tax on public transport and the tax on the extraction of quarry and mineral products.

The taxes collected centrally on behalf of the municipalities are the following:

Residence Tax (Taxe d'habitation)

In 2007 the residence tax replaced the urban property tax, also known as the city tax (*taxe urbaine*). The residence tax applies to buildings of any kind occupied in whole or in part

⁶ The recurrent property taxes levied at the local level and collected by the General Tax Administration are the residence tax (taxe d'habitation), tax on communal services (taxe de services communaux) and the business license (taxe professionnelle) on behalf of local authorities. The two relevant locally levied and collected taxes are the tax on vacant urban lands (taxe sur les terrains urbains non-bâties) and the tax on building operations (taxe sur les opérations de construction).

by their owners as a principal residence or as a secondary residence, or occupied without consideration by the owner's spouse, ascendants or descendants. The residence tax is applied within the jurisdiction of an urban municipality and also in its peri-urban areas, as well as properties identified as summer and winter resorts or spas. The tax is payable by the owner or the usufruct, but if the owner is unknown it could be collected from the occupier. When the land and the building on that land are owned by different persons, the owner of the building is liable for the tax (Local Government Guide 2008).

The residence tax is based on the annual rental value (ARV) of buildings. However, a reduction of 75 percent is applied to the rental value of occupied buildings in respect of the following persons:

- The owner's spouse, ascendants or descendants.
- The members of real estate companies.
- Moroccan citizens living abroad if the building is a primary residence and occupied for free by their spouse, ascendants or descendants.

Exemptions

The following properties are fully and permanently exempt:

- Royal residences;
- Buildings belonging to the State, local authorities, charities and non-profit organizations;
- Buildings available free of charge at the disposal of some organizations referred by law;
- Buildings belonging to foreign states as offices or housing for diplomatic missions, subject to reciprocity;
- Buildings belonging to international organizations with diplomatic status and used as offices or housing for the mission chiefs;
- Buildings used exclusively for public worship purposes, education, or as historic monuments if not used commercially.

New buildings and additions to buildings constructed by individuals as principal residence are exempt for a period of five years following the date of their completion.

The buildings in the former province of Tangier enjoy a permanent deduction of 50 percent.

Valuation

In each municipality, the annual rental value (ARV) of a building is determined by a commission that annually conducts an inventory of properties. Values are determined with reference to the average rents for similar homes in the neighborhood. The rental values are revised every five years with a 2 percent increase.

The Governor of the prefecture or province appoints the members of the commission for a term of six years. The commission must include an inspector of finance proposed by the General Tax Administration and a representative of the local tax services of the municipality proposed by the President of the municipal council. The commission can be divided into as many sub-commissions as necessary to perform its work. Each subcommittee must include an officer of the General Tax Administration as well as a representative of tax services in the municipality. The census date must be publically advertised, at least 30 days in advance through posters, newspapers and other appropriate advertising modes used in the locality. Properties are listed by street, by order of location. At the end of census operations, the commission must publish a grid of rental values on the basis of average rents of similar properties in the area.

The graduated residence tax rates are set out in Table 3.

Table 3: Tax rates for the Residence Tax

Annual rental value	Tax rate
below 5,000 MAD	0%
from 5,001 to 20,000 MAD	10% - MAD 500
from 20,001 to 40,000 MAD	20%- MAD 2,500
above 40,000 MAD	30%- MAD 6,500

Source: Local Tax Guide 2008.

Tax on Communal services (Taxe de services communaux)

The Tax on Communal services replaced the municipal administration tax, and the base has been broadened to cover households and firms (Local Tax Guide 2008). The tax on communal services is a tax payable on municipal services in urban and rural municipalities and is charged annually in addition to the residence tax. The tax is levied on the owner or the usufruct. If the owner or usufruct cannot be identified, the occupant is liable. However, if the building is the owner's principal residence, the 75 percent discount rate of the rental value used in the calculation of the residence tax applies. The tax is payable on existing buildings and constructions of any kind, regardless of their use.

For properties subject to the residence tax and the business tax, including those who benefit from the permanent or temporary exemptions, the tax on communal services is based on the rental value used to calculate those two taxes. For property not subject to the business tax or the residence tax, it is based on the actual rents where such a property is leased, or on its presumptive rental value if the property were freely available to a third party. The applicable tax rates are:

- 10.5 percent of the rental value for the buildings located within the municipal boundaries of urban municipalities, as well as spas and summer and winter resorts;
- 6.50 percent of the rental value of properties located in the peri-urban areas of urban municipalities.

Taxpayers are subject to the same obligations for the tax on communal services as they are for the residence tax in case of completion of construction or change of ownership of the property. However, the five-year exemption provided for the residence tax does not apply to the tax on communal services. The revenue from the municipal service tax is distributed as follows: 95 percent to the municipalities and 5 percent to the regions (Local Tax Guide 2008).

Business license (Taxe professionnelle)

The business license replaced the patent tax in 2007 and is payable annually by natural or legal persons, whether Moroccan or foreigner, engaged in business or professional activities for profit. Business and professional activities subject to business license are classified according to their nature, and by classification of occupations as determined by law.

The business license is based on gross annual rental value of normal and current tangible assets that the taxpayer uses for the business activities. For business and professional activities other than hotel establishments, the rental value is determined by reference to actual leases or rentals, by way of comparison, or by direct reporting.

However, the rental value may not be less than 3 percent of the overall cost of land, buildings, fixtures, equipment and tools. For hotel establishments the rental value is determined by applying fixed coefficients to the cost of buildings, equipments, tools, etc, provided that the establishment is operated by the owner or by the tenant. The coefficients are defined by law as follows:

- 2 percent if the cost is less than MAD 3 million;
- 1.50 percent when the cost is equal or more than MAD 3 million but less than MAD 6 million;
- 1.25 percent when the cost is equal or more than MAD 6 million but less than MAD 12 million; or
- 1 percent when the overall cost is equal to or exceeds MAD 12 million through leases and rental actions.

The tax rates based on the rental value as determined by law are as follows:

- Class 3 (C3): 10 percent
- Class 2 (C2): 20 percent
- Class 1 (C1): 30 percent

However, there are minimum amounts payable for each of the three classes and for urban and rural municipalities. A taxpayer who does not file a registration for business license within 30 days after the date of commencement of business is fined a surcharge of 15 percent of the amount due or that would have been due in the absence of an exemption or reduction with a minimum amount of MAD 500.

The revenue from the business license is distributed as follows (Local Tax Guide 2008):

- 80 percent of the revenue is allocated to the of the municipality where the business is operated;

- 10 percent is allocated to the chambers of commerce, industry and services, craft rooms and rooms of marine fisheries and their federations. The distribution of this portion to these chambers and federations is fixed by regulation;
- 10 percent of the revenue is retained to cover the collection costs.

The revenues levied locally concern the following taxes:

Tax on undeveloped urban lands

The Tax on undeveloped urban lands is levied for the benefit of urban municipalities. It applies to undeveloped urban lands within the boundaries of urban municipalities as well as delimited centers, but excludes undeveloped land already allocated for use of any kind. It is payable by the owner. Joint owners can request to be charged in proportion to their relevant shares of ownership. However, each joint owners remain liable to pay the entire tax (Local Tax Guide 2008).

The tax is an amount per square meter of land area; any fraction of a square meter is rounded up to a whole square meter. The rates of tax on vacant urban lands are fixed as follows:

- Building area: MAD 4 to MAD 20 per square meter;
- Villa area, individual housing area, or other areas: MAD 2 to MAD 12 per square meter.

The tax on undeveloped urban lands is due for the entire year on the basis of the factual situation as at January 1 of the tax year. The municipal taxation service conducts an annual census of properties subject to the tax on undeveloped urban lands. This tax is paid to the municipal tax administration before the first of March.

Tax on buildings operations

The Tax on buildings operations is levied for the benefit of urban and rural municipalities. It is a one-time tax on any new construction, reconstruction or expansion of any kind before a building permit is issued to the taxpayer. The tax is calculated on the basis of the total area in square meters to be covered by the construction. As is the case with the tax on undeveloped urban lands, a fraction of a square meter must be rounded up to one square meter. Should any part of the construction protrude on any public area, a 100 percent surcharge will be applied to the relevant protruding area. The tax is due to the municipal

tax administration at the time the building permit is issued, and a proof of payment must be produced before any construction work may commence. The tax rates per square meter are set out in Table 4.

Table 4: Tax Rates for the Tax on Building Operations

Types of constructions operations	Tariff
<ul style="list-style-type: none"> • Collective residential buildings or housing developments • Industrial, commercial or administrative buildings 	MAD 10 to MAD 20/m ²
<ul style="list-style-type: none"> • Single units 	MAD 20 to MAD 30/m ²

Source: Local Tax Guide 2008.

Social solidarity contribution to the construction of housing units

If a person builds a housing unit for personal residential use and the built area does not exceed 300m², the social solidarity contribution is not payable. However, if the constructed area is over 300m², the owner is liable for this contribution on the entire area covered. The amount of this contribution is MAD 60 per square meter covered by the housing unit.

For buildings whose area exceeds 300m², payment of the tax at the relevant tax office must be accompanied by a written statement specifying the area covered by the new construction and the amount of the contribution, as well as the building and occupancy permits. This declaration must be filed within the 90 day period following the date of issuance of the occupancy permit by the competent authority.

The beverage tax

The beverage tax is due by the operators of cafeteria, bars and tea-rooms and in general by any debiting drinks to be consumed on the spot. This tax is based on receipts, excluding value added tax, made on the sale of drinks carried out by the establishments subject to the

tax. The rate of the tax is fixed between 2% and 10% of the receipts, excluding value added tax.

The amount of the tax is paid on a declarative basis to the municipal tax administration quarterly, on the basis of the revenue, excluding value added tax, realized during that period.

Tourist tax

The tourist tax is levied in tourist establishments and comes in addition to the price of the room. The tax is payable per person per night according to the rates fixed for the different categories of tourist accommodation establishments.

The tourist establishments file a declaration form before the first of April each year including the number of customers and the number of overnight stayed during the past year. The rate varies between MAD 2 and MAD 30 depending on the category of tourist accommodation establishments. The tourist tax is collected by the municipal tax administration.

Tax on bottled water

The tax on bottled water is payable by the companies selling mineral and table water in the form of bottles. The tariff of the tax is fixed at MAD 0,10 per liter or fraction of liter of mineral waters to be delivered for consumption in the form of bottles.

The companies are required to file a declaration before the first of April of each year containing the number of liters or fraction of liters of bottled water to be delivered for consumption in the form of bottles.

The amount of the tax is paid quarterly on declarative basis to the municipal tax administration.

Tax on public transport

The tax on public transport of passengers relates to the activity of taxis and buses of public transport of passengers because of their territorial exploitation.

The tax is payable by the owners or if the owners are unknown, by the operators of public transport of passengers.

The tariff varies between MAD 80 and MAD 2000 depending on the categories of vehicles affected.

Tax on the extraction of quarry products

The Tax on the extraction of quarry products is applied to the quantities of products extracted from quarries located in the territorial area of the municipality. The tax is payable by the licensed operator, regardless of the ownership of the quarry. It is based on the quantity extracted from quarry depending on the type of the product extracted. The tax rate varies between MAD 3 and MAD 30 depending on the type of the product extracted.

The collecting department apportions the tax product as follows:

- 90% to the budgets of the municipalities concerned;
- 10% to the budgets of the region concerned.

Table 5 provides an overview of the revenues collected by urban and rural municipalities in 2009.

Table 5: Tax Revenues from Local Sources in 2009 (in MAD millions)

	Urban municipalities	%	Rural municipalities	%	Total
Local taxes collected locally	2 949	25,8%	1 272	23,4%	4 221
Local taxes collected centrally	3 893	34,1%	353	6,5%	4 246
<i>Sub total</i>	<i>6 842</i>	<i>60%</i>	<i>1 625</i>	<i>30%</i>	<i>8 467</i>

Source: Trésorerie Générale du Royaume, author's calculations.

b. PREFECTURES AND PROVINCES

The prefectures and provinces local revenues only include taxes collected locally as they don't receive any retroceded tax revenues. The following taxes are levied at the prefecture and province level:

Tax on driving licenses

The tax on driving licenses is established when the driving license is issued or when it is extended to another category. This tax is payable by anyone who obtains a driver's license or an extension of that license to another category.

The tax is levied by the organism authorized to issue the driving license which pays it quarterly to the prefecture or province tax administration. The amount of the tax is fixed at MAD 150.

Tax on vehicles subject to technical inspection

The tax on vehicles subject to the technical inspection is due on the occasion of the annual technical inspection of the vehicles. This tax is payable by the holder of the registration certificate. The tariffs vary between MAD 30 and MAD 100 and are fixed according to the fiscal power of the vehicle.

The tax is collected by the establishment empowered to carry out the technical inspection of the vehicles, which affix a special vignette on the inspection certificate. Such vignette is placed at the disposal of that establishment by the prefecture or province concerned.

The establishment conducting the technical inspection of the vehicles must file a quarterly declaration and proceed to the payment of the collected tax to the tax administration of the prefecture or province in whose territory the establishment is located.

Tax on the sale of forest products

The tax on the sale of forest products is applied on the amount, excluding value added tax, of sales of forest products. This tax is payable by the purchaser of the forest products. The rate of the tax is set at 10% of the amount of sales.

The Water and Forestry Administration levy the tax and transfers within one month the collected tax to the tax administration of the province or prefecture within whose territory the sales of the forest products were carried out.

Table 6 provides an overview of the revenues collected by the provinces and prefectures. They represent only 5% of local tax revenues in 2009. The provinces and prefectures are heavily dependent on VAT transfers as it will be discussed below.

c. REGIONS

Table 7 provides an overview of the revenues collected by the regions. It includes taxes collected by the region and taxes collected by the central government on behalf of the region (5 of the Tax on communal services). In 2009, these revenues represent 42% of local revenues.

Table 6: Tax Revenues from Local Sources in 2009 (in MAD millions)

Provinces/prefectures	MAD millions	%
Local taxes collected locally	164	5%

Source: Trésorerie Générale du Royaume, author's calculations.

Table 7: Revenue from Local Sources (2009) (in MAD millions)

Regions	MAD millions	%
Local taxes collected locally	379	33%
Local taxes collected centrally	103	9%
Sub Total	482	42%

Source: Trésorerie Générale du Royaume, author's calculations.

The revenues collected by the region include the following taxes:

Tax on hunting licenses

The tax on hunting licenses is payable by the beneficiary of the hunting license. The annual amount of the tax is fixed at MAD 600.

The province collects the tax on hunting licenses or the prefecture that issues a sticker to the taxpayer at the time the license is issued. It transfers the collected tax at the end of each month to the regional tax administration.

Mining Tax

The mining tax is applied to the quantities extracted from mining operations carried each year. The tariff of the tax on mining operations is fixed, from MAD 1 to MAD 3 per tone extracted.

Mining operators are required to file a declaration before April 1 of each year indicating the quantities of mining products extracted during the past year. The amount of the tax is paid quarterly to the regional tax administration on the basis of the quantities extracted during that period.

Tax on port services

The tax on port services is based on the port services provided within the area of ports in the region, excluding services related to international transport and goods in transit not intended for the domestic market. The tax on port services, which is due by users, is based on the total amount of services, even in the case of exemption from value added tax.

The tax rate is set between 2% and 5% of turnover excluding tax on value added. The establishment providing the services is responsible of levying the tax and files a declaration before April 1 of each year. The declaration indicates the turnover, excluding value added tax, realized during the past year. The amount of the tax is paid to the regional tax administration quarterly.

4.2.2 TRANSFERS

Before 1988, the central government granted subsidies to local authorities in two categories: operating subsidies to enable them to close their budget deficits and equipment subsidies to assist them in the realization of certain equipment under their jurisdiction.

The introduction of a VAT system (1986), a part of the VAT was used to finance the municipal and provincial budget deficits. In this logic, the municipalities with the largest deficits were those that received the largest VAT transfers.

The Circular of 1996 reformed this situation both at the prefecture and provincial levels and at the municipal level.

Since 1996, Morocco allocates to the municipalities and prefectures and provinces a share of VAT according to a formula that tries to take into account their fiscal capacity. Thus, 30% of the VAT revenue is transferred to the municipalities and prefectures and provinces and 1% of the Corporate Income tax and 1% of the Personal Income Tax are transferred to the regions. These transfers aim to reduce both vertical and horizontal imbalances, and to provide incentives to municipalities that improved their own revenue mobilization.

These transfers represent on average 44% of total local revenues⁷ and their share increased over the period 2005 to 2009.

a. URBAN AND RURAL MUNICIPALITIES

The formula based transfers are allocated annually to all municipalities according to an explicit formula consisting of 3 quantitative criteria:

- **Lump sum part:** This share ensures a minimum transfer to all municipalities, regardless of their level of revenues or development;
- **A part based on tax mobilization capacity:** this criteria aim to reduce the disparities in tax revenues and to provide a constant equipment of the municipalities unable to collect fiscal revenues. This is a redistributive criteria that aims to reduce vertical and horizontal imbalances;
- **A part based on tax effort. :** Municipalities that have made an effort to improve their own revenues mobilization (above 65% of the average) will receive a premium proportional to the effort made. It is potentially an incentive criteria as it encourages municipalities to improve their tax effort.

The weight of these criteria is different for urban and rural municipalities (table 8).

Table 8: Allocation criteria of formula based VAT transfers

<i>Allocation criteria</i>			
	Lump sum part	Fiscal capacity	Tax effort
Urban	15,50%	69%	15,50%
Rural	30%	60%	10%

Source: Bulletin d'information de la Direction Générale des Collectivités Locales.

The municipalities receive a second type of transfers defined on an ad-hoc basis. These transfers are allocated annually to a limited number⁸ of municipalities and aim to finance

⁷ Local revenues excluding past surpluses.

⁸ During the period 2005-2009, each year around 350 municipalities benefited from conditional transfers. The beneficiaries may be different from year to year.

infrastructure investment projects, social and urban development, and environmental protection. They are also used to provide emergency assistance in case of natural disasters or epidemics. Ad-hoc transfers are discretionary and are often dependent on the bargaining power of municipalities.

It is evident from Table 9 that a large share of local revenues comes from the VAT transfers, this is more salient for rural municipalities where the share is equal to 70% of the local tax revenues.

Table 9: VAT transfers in 2009 (in MAD millions)

	Urban municipalities	%	Rural municipalities	%	Total
Formula-based	4 520	39,6%	3 677	67,7%	8 197
Ad-hoc	64	0,6%	126	2,3%	190
Sub-total	4 584	40,1%	3 803	70,1%	8 387

Source: Trésorerie Générale du Royaume, author's calculations.

b. PREFECTURES AND PROVINCES

The share of the VAT transferred to the prefectures and provinces is based on the following criteria:

- A dotation corresponding to the amount of wages and salaries of staff in the budget of the prefecture or province;
- A lump sum part equal for all prefectures and provinces, attributed regardless of the demographic size or the territorial extent;
- A part based on the legal population of each prefecture or province. Its calculation takes account of a minimum population set at 200,000 inhabitants;
- A part based on the size of the prefecture or province: It is allocated in proportion to the territorial extent of each prefecture and province. Its calculation takes into

account a minimum area of 2,500 Km² and a maximum area equal to twice the average of the areas of the prefectures and provinces.

Salaries and wages dotation for each prefecture or province are fixed annually in accordance with the budget prevision.

After deduction of this wage dotation, the remaining VAT share is broken down as shown in table 10:

Table 10: Allocation criteria for VAT transfers

<i>Allocation criteria</i>		
Lump sum part	Population	size
17%	66%	17%

Source: Bulletin d'information de la Direction Générale des Collectivités Locales

As shown in table 11 the prefectures and provinces budget is composed at 95% of VAT transfers, which makes this decentralized level very dependent on the central government.

Table 11: VAT transfers in 2009 (in MAD millions)

Provinces/prefectures	MAD millions	%
Formula-based	2 858	90%
Ad-hoc	142	4%
Sub-total	3 000	95%

Source: Trésorerie Générale du Royaume, author's calculations.

c. REGION

Unlike the two other decentralized levels, the region does not receive VAT transfers. However, according to the *Dahir* n° 1-07-21 of December 2007⁹, the regions receive 1% of the Corporate Income Tax and 1% of the Personal Income Tax allocated on the basis of population and area sizes. Table 12 shows that these transfers represent more than 50% of the local tax revenues of the region.

Table 12: VAT transfers in 2009 (in MAD millions)

Regions	MAD millions	%
Transfers		
Share in the revenues from corporate and personal income taxes	660	58%
Sub-total	660	58%

Source: Trésorerie Générale du Royaume, author's calculations.

4.2.3 LOANS

In addition to local resources, local governments can have also access to loans from the Communal Equipment Fund (FEC).

The FEC is a bank subject to the supervision of the central government and is the main source of financing for local authorities. It also provides technical assistance¹⁰ and contributes to the strengthening of the local expertise and the promotion of local development.

The Minister of the Interior is in charge of approving loans applications from local authorities.

To get access to these loans, local governments must meet the following criteria:

- Having a debt ratio below 40%;
- Generating savings and future surpluses that can cover the entire debt service;
- Participating in the financing of the project with a minimum contribution of

⁹ Articles 18 and 19 of the finance law n° 38-07 promulgated by the *Dahir* n° 1-07-21 of December 2007; B.O No 5591 bis of December 2007.

¹⁰ Mainly for the identification and implementation of urban infrastructure investments in municipalities.

20% of its cost;

- Possessing the human, material and organizational resources to implement the project.

However, the FEC can finance 100% of the projects under programs initiated by central authorities, such as:

- Global Rural Electrification Program
- Water Supply Program for Rural Populations
- National Program for the Construction of Rural Roads
- Program for the rehabilitation and upgrading of schools in rural and peri-urban areas

The interest rates applied to the FEC loans start at 6.5% and are either fixed or variable. These rates are adjusted according to the duration of the loan. The loan can be spread over a maximum period of 15 years, depending on the nature of the projects and the capacity of the borrowers.

The repayment is made annually, and constitutes for local governments a mandatory expenditure that must be included in their budget. A grace period is possible and is limited to 2 years.

Table 13 summarizes the FEC loans to the different local governments in 2009. On average the local governments revenues coming from loans represent 8% of the total budget.

Table 13: Loans in 2009 (in MAD millions)

	Region	Provinces/ prefectures	Rural municipalities	Urban municipalities	Total	%
Loans	77	131	222	1 348	1 778	8%

Source: Trésorerie Générale du Royaume, author's calculations.

The figure 3 shows that the principal beneficiaries from these loans are the urban municipalities followed by the region as they account for 59% and 16% respectively of the loans issued by the FEC in 2009.

Figure 3 :FEC funds repartition in 2009

Source: Trésorerie Générale du Royaume, author's calculations.

5. CONCLUSION

Sub-national elections were held in 2015 and the advanced decentralization strategy is well under way. However, the Moroccan tax system is still largely centralized and the revenue autonomy of the local governments remains limited. The General Tax Administration still collects some of the local taxes, albeit through deconcentrated regional offices, and the local government transfers dependency has increased over time.

Despite the 2007 reform of the sub-national fiscal regime which streamlined the local taxation system and harmonized the State and local taxation system, local taxes continue to represent a small share of local government budgets. This is due to some structural factors such as weak technical capacities of the local governments and the high number of exemptions. For instance the residence tax has an extremely narrow base given the significant 75 percent value reduction for primary residences and the five-year exemptions for newly constructed property.

Moreover, even after the Charter of October 2002, which profoundly empowered the local governments by giving them, more responsibilities for the management of local affairs, they have failed to become more autonomous due to the continued central government control via the *tutelle*.

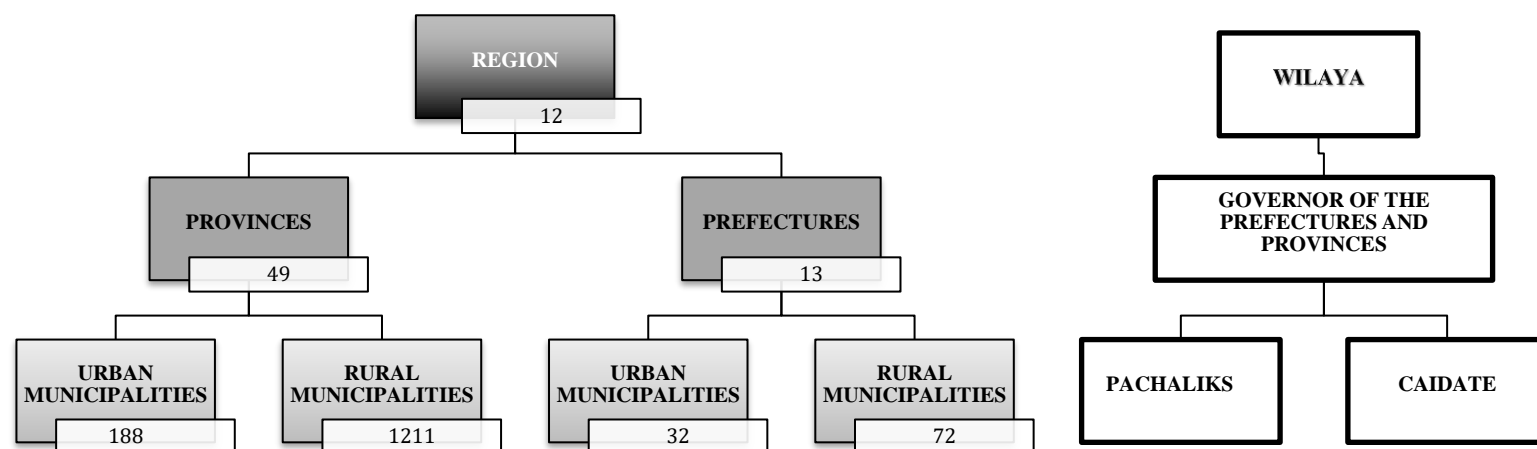
To accompany the advanced decentralization with more fiscal autonomy, it is critical to implement a relevant local tax system that identifies the structural factors that hamper the mobilization of local fiscal resources: poverty, inequality, density of municipalities, exemptions etc. There is also a need to engage concrete actions that will promote an

enabling environment for high resource mobilization and improve local governments capacity to collect taxes and to identify taxpayers.

The shared management of local taxation by different tiers of government can result in a lack of communication and information sharing as well as a lack of commitment from those that manage the collection on behalf of others. Additionally, regions should be given more power to oversee and harmonize the prerogatives of each level of subnational government. A specialization of each level in the collection of some categories of taxes can also improve their administrative efficiency and strengthen the relationship between the taxpayers and the authorities in charge as the taxpayer will be able to identify the government tier responsible for managing and implementing the taxation policy.

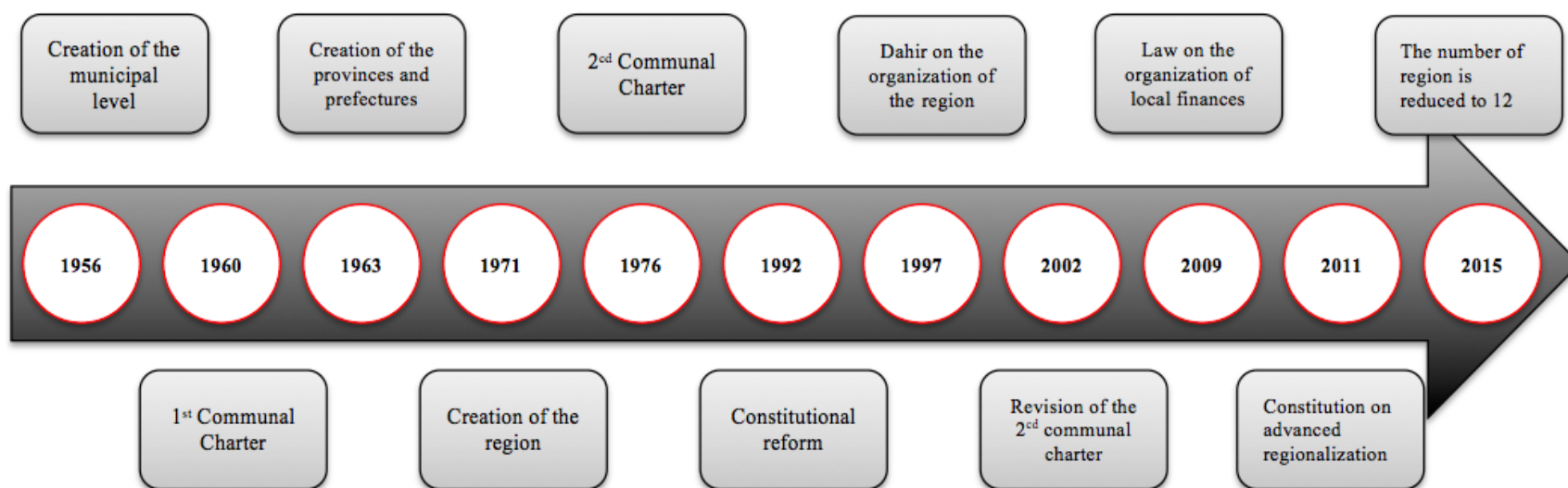
Giving local governments more autonomy in levying taxes and making local governments closer to citizens is more likely to enhance transparency and accountability. Therefore, it could increase the benefits of decentralization by improving public sector performance through improved local financial management efficiency.

6. APPENDICES

APPENDIX A: DECENTRALIZED AND DECONCENTRATED LEVELS IN MOROCCO

Left panel: Decentralization
Right panel: Deconcentration
Source: Author

APPENDIX B: MAJOR STEPS OF MOROCCO'S DECENTRALIZATION PROCESS



Source: Author

APPENDIX C: TAXES COLLECTED BY LOCAL GOVERNMENTS*Source: Author*

MUNICIPALITIES	PREFECTURES AND PROVINCES	REGIONS
Tax on undeveloped urban land		
Tax on buildings operations	Tax on driving licenses	Tax on hunting licenses
Social solidarity contribution to the construction of housing units	Tax on vehicles subject to technical inspection	Mining Tax
The beverage tax	Tax on the sale of forest products	Tax on port services
Tourist tax		Tax on the extraction of quarry products
Tax on bottled water		
Tax on public transport		
Tax on the extraction of quarry products		