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Deep Integration, Firms and Economic Convergence

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This report contains 2 parts. In first we analyse the impact on firm performance of deeper integration by using both business environment indicators and firm characteristics. In a second part we see how the major reforms and transformations undertaken have generated further convergence between Morocco and the European Union by using data, qualitative information and some case studies of enterprises.

Abstract

This report contains 2 parts. In first we analyse the impact on firm performance of deeper integration by using both business environment indicators and firm characteristics. In a second part we see how the major reforms and transformations undertaken have generated further convergence between Morocco and the European Union by using data, qualitative information and some case studies of enterprises.

The aim of the first part is to analyse the role of the business environment in understanding differences in the performance of Moroccan firms. We use both the Moroccan Annual Census (1997-2004) and detailed surveys conducted by the World Bank (FACS and ICA). The business environment is captured by measures which include the investment climate in which firms operate, i.e. access to credit, regulatory and institutional environment and infrastructure. The firm performance is measured by the total factor productivity (TFP), which is estimated using both classic technique of Olley & Pakes (1996), and the more recent approaches suggested by Ackerberg et.al (2007). The evidence on the relationship between credit and productivity is strongly suggestive of credit resources misallocation in Morocco. We also find that the lack of fiscal homogeneity across firms sector is positively linked to lower firm-level TFP. Thirdly we find that, heavier bureaucracy and differences in regulations appear to have a negative effect on firm TFP. But these two last results are particularly relevant for small firms, and/or those that do not export and/or those with no access to foreign capital.

The second part is devoted to describing the salient economic and social features that have characterized Morocco during the last recent years. The present report looks at different macroeconomic, trade and microeconomic issues to see how the major reforms undertaken have generated further convergence between Morocco and the European Union. The analysis is based both on data, qualitative information and some case studies of enterprises. The outcomes attained show that Morocco is actively pursuing changes and reforms in almost all sectors in relation to the collaborative framework with the EU. During these last fifteen years, Morocco has been undergoing major changes, reforms and transformations that have been shaping globally the economy and society. These reforms have been also related to the acceleration of the openness of the economy and to series of agreements and international arrangements promoted during this era. These agreements include the relationships with the European Union (EU). Within this framework, the attainment of higher levels of convergence to EU and international standards in most of the economic, social and political components is expected. The present study is a description of the achievements observed in Morocco within the last fifteen years. It is mainly based on existing official reports and documents produced by Moroccan Government, private organizations and non-governmental agencies with other documents from international institutions. As this is mainly a descriptive study, the report covers the overall agreements, the economic policies, the political and social reform before ending with the situation expressed at the level of enterprises by the firms themselves but also by the data published by World Bank under “Doing Business”. The second part of report starts with a synthesis.

Résumé

Ce rapport comprend deux parties. Dans la première, nous analysons l'impact sur la performance des enterprises d'une integration plus profonde en utilisant des indicateurs de l'environnement des affaires et en prenant en compte des caractéristiques des firmes. Dans une seconde partie, on regarde comment les principales réformes et transformations mises en place ont généré une plus grande convergence entre le Maroc et l'Union Européenne en utilisant à la fois des données, des informations qualitatives, ainsi que des études de cas d'entreprises.

L'objectif de la première partie est d'analyser le rôle de l'environnement des affaires pour comprendre les différences de performances entre les firmes marocaines. Nous utilisons à la fois le recensement annuel (1997-2004) et des enquêtes détaillées conduites par la Banque Mondiale (FACS et ICA). L'environnement des affaires est capturé par des mesures qui inclut le climat d'investissement dans lequel les entreprises opèrent, càd l'accès au crédit, l'environnement institutionnel et les infrastructures. La performance des entreprises est mesurée par la productivité globale des facteurs (TFP), qui est estimé en utilisant à la fois Olley & Pakes (1996) et une approche plus récente suggérée par Ackerberg et.al (2007). Le type de relation que l'on obtient entre les crédits et la productivité laisse largement pensé que l'on a, au Maroc, un problème d'allocation des ressources. Nous trouvons aussi que le manqué d'homogénéité fiscale entre les entreprises d'un même secteur est positivement lié avec une plus faible productivité des firmes. Troisièmement, nous trouvons qu'une bureaucratie plus lourde a un effet négatif sur la performance des entreprises. Mais ces deux derniers résultats sont particulièrement évidents pour les firmes de petite taille, et/ou qui n'exportent pas et/ou qui n'ont pas accès au capital étranger.

La seconde partie du rapport est consacrée à la situation économique et sociale du Maroc, ainsi qu'aux principales réformes et transformations entreprises au cours de ces dernières années. Cette analyse montre que le Maroc a activement poursuivi d'importants changements dans presque tous les secteurs, notamment dans le cadre des relations avec l'Union Européenne (UE). Durant ces quinze dernières années, le Maroc a entrepris des réformes et des transformations majeures qui ont globalement modifié l'économie et la société. Ces réformes ont été également liées à l'accélération des l'ouverture de l'économie et aux séries d'accords internationaux signés durant cette période, comprenant ceux avec l'UE. Dans ce cadre, l'objectif d'un plus haut niveau de convergence avec l'UE et les standards internationaux dans la plupart des domaines économiques, sociaux et politiques est attendu. Cette partie du rapport est une description des accomplissements réalisés au Maroc au cours de ces quinze dernières années. L'analyse est principalement basée sur les rapports officiels et les documents produits par le gouvernement marocain, les organisations privées, les agences non-gouvernementales et les institutions internationales. Cette seconde partie démarre par une synthèse de l'analyse détaillée.

Part 1

The Business Environment and Moroccan Firm Productivity[1]

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July 2010

Abstract

The aim of this paper is to analyse the role of the business environment in understanding differences in the performance of Moroccan firms. We use both the Moroccan Annual Census (1997-2004) and detailed surveys conducted by the World Bank (FACS and ICA). The business environment is captured by measures which include the investment climate in which firms operate, i.e. access to credit, regulatory and institutional environment and infrastructure. The firm performance is measured by the total factor productivity (TFP), which is estimated using both classic technique of Olley & Pakes (1996), and the more recent approaches suggested by Ackerberg et.al (2007). The evidence on the relationship between credit and productivity is strongly suggestive of credit resources misallocation in Morocco. We also find that the lack of fiscal homogeneity across firms sector is positively linked to lower firm-level TFP. Thirdly we find that, heavier bureaucracy and differences in regulations appear to have a negative effect on firm TFP. But these two last results are particularly relevant for small firms, and/or those that do not export and/or those with no access to foreign capital.

JEL Classification numbers: D2 O1 O55

Keywords: Total factor productivity, Business environment, Climate investment, Firm heterogeneity, Morocco, MENA.

[1] The authors thank seminar participants at the Femise Conference in Bruxelles (November 2009) and at DIME-ISGEP workshop on “Firm Selection and Country Competitiveness” in Nice (March 2010) for comments. We wish also to thank also Stefania Lovo for her precious helpful in building of data base.
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1. Introduction

The relationship between openness to international trade, economic growth and development is complex and much debated. Generally openness and trade liberalization are perceived as being favourable to growth and development but in the presence of the necessary economic and institutional conditions in the domestic market (see for example, Winters et al., 2004). The main causal relationship between trade liberalization and growth is the attendant increase in productivity that may be driven by (i) diffusion of knowledge and technology, (ii) increased competition and the exit of inefficient firms, (iii) economies of scale at the level of the firm and/or industry, and/or (iv) access to higher quality intermediates.

The question remains, however, as to what are the "conditions" under which integration into international markets is more likely to facilitate such productivity improvements? Central to this process is the nature of the business environment, sometimes also referred to as the investment climate (e.g. Stern, 2002), and there is empirical evidence on the positive impact of the business environment on growth. Much of the empirical evidence has an aggregate focus typically based on cross-country regressions, and where a positive relationship between country-level indicators of business environment on GDP-based outcome variables is typically identified; though some more recent work provides a slightly more nuanced picture (see eg. Durlauf, Kourtellos & Tan, 2008).

From the theoretical point of view, the idea that the business environment could impact on output and productivity is based on the capacity of these factors to create incentives to invest. However these incentives operate at the level of the firm, where there is likely to be a differential impact by firm, which will depend on a myriad of interdependent factors – industry, size, location within the country etc. Hence in order to understand the role of the business environment and its possible impact on productivity it is important to consider this at the firm level where (a) the heterogeneity between firms can be captured, and (b) the possible interdependence between some of the conditions can be explored. Microeconomic data are in principle better suited for such analyses of productivity growth, are better able to capture possible obstacles to firm performance, and are thus more likely to shed light on the key policy implications.

This paper provides an empirical contribution to these questions, and rather than using a cross-country panel database, we focus on a firm-level panel dataset for Morocco. Moreover, instead of establishing general links between growth and the business environment or climate as proxied by subjective and global measures, we are able to test more precisely the relationship between firm-level performance and a range of objective variables capturing the principal features of the business environment.

In contrast to the cross-country studies referred to above there is much less empirical work focussing on these issues at the firm level and this is because of the difficulties in obtaining the relevant data. Relevant recent studies in this vein include Dollar et al. (2005) who consider Bangladesh, China, India and Pakistan and point to the negative role of power outages, customs delays and access to finance on firm-level performance. An important result of their paper is that the empirical link between the investment climate indicators and firm performance is robust to the inclusion of country dummies, confirming that the business environment is not constant within a country, and emphasising the need to use firm-level data. Similarly, Fernandes (2008) focuses on Bangladesh and examines the relationship between TFP and business environment indicators. By using protection payments as proxy for criminal activity, she finds that firms with lower TFP are those making larger protection payments. Her main result is to show the negative effect of crime and corruption on firm performance TFP. For China, Hallward-Driemer et al. (2006) show that ownership and investment climate measures matter for investment rate, TFP and sales growth. In particular, light regulatory burdens, limited corruption, technological infrastructure and labour market flexibility appear to have a positive impact on firm performance, while gains from improved access to banking and physical infrastructure are quite limited. The paper of Asaftei et al. (2008) underlines the importance of market structure and soft budget constraints in ensuring that privatization improves firm productivity in Romania. Eifert et al. (2008) in analysing 17 poor African countries show that productivity is inversely linked to the cost and importance of indirect inputs, related to infrastructure and public services, in production. Finally Gatti and Love (2008) shows that improved access to credit impacts positively on the productivity of Bulgarian firms while, Moreno-Badia and Slootmaekers (2009), admittedly with a different methodology, do not confirm this relationship for Estonian firms.

Our work contributes to this empirical literature by exploring the role of the business environment in explaining productivity differences between Moroccan firms where we explore the firm level heterogeneity in the data. Our data allows us to explore a number of feature of the business environment, which includes the investment, regulatory and institutional climate within which firms operate, as well as the credit facilities and position of the firms. There are few studies, which focus on productivity in the southern Mediterranean countries and this is primarily due to data availability problems. However, these countries' recent experience is interesting as during the last fifteen years they have engaged in major changes and reforms - both domestically and with regard to their trade policy. Morocco is a case in point with reforms with respect to labor law, competition policy, infrastructure, intellectual property, education, gender, the financial sector and transportation, as well as openness to international trade.[2] This openness has taken place both multilaterally (Morocco being a member of WTO since 1995) and through a series of regional or bilateral agreements (such as the Arab League Free Trade Agreement (FTA), 1998; the FTA with European Free Trade Association, 1997, the Egypt-Morocco FTA, the Tunisia-Morocco FTA and the Jordan-Morocco FT, all 1999, the US-Morocco FTA, 2004; and the Agadir Agreement, 2007). In this openness context, it is important from a policy perspective, to isolate which indicators of business environment impact on firm-level productivity and in particular on any possible impediments.

Our empirical analysis focuses on two main areas related to the business environment. First, we consider the importance of firm-level access to credit, as this is an issue which is often mentioned in the literature as impacting on firms' abilities to invest and hence increase their productivity. Here, counter-intuitively we find a negative relationship between financial indicators (the loan amount and the share of firms’s needs financed by bank loan) and firm TFP suggesting evidence of credit resource misallocation Secondly, we consider more broadly the relationship between firm level productivity and the business environment or climate where we focus on bureaucracy and regulatory issues (such as the number of permits firms are required to have for their business or the presence of differences in taxation between firms in a same sector) and on infrastructure issues (such as water supply outages). We find that homogeneous taxation by sector is positively linked with higher firm TFP probably because the reduction of uncertainty creates incentives to invest and improve firm performance. Third, heavier bureaucracy and differences in regulatory captured by the number of permissions needed each year to operate have a negative effect on firm TFP. But

[2] A detailed analyse of changes and reforms in Morocco has been realized by A. Driouchi and M. Kadiri (cf. Second part of report).

we show that these business and regulatory issues essentially bear upon specific firms, i.e. small size or no-exporters or without foreign capital.

The paper is structured as follows: Section 2 describes the data and the methodology for TFP estimation. In section 3 we detail the econometric model used in our empirical analysis. The results are presented in section 4. The final section concludes.

2. Data and firm performance measures

2.1 Data description

The data used in this paper derive from two sources: the Moroccan Annual Census, and detailed surveys conducted by the World Bank. The Moroccan Annual Census of Manufacturing covers the period 1997-2004. This Annual Census covers all manufacturing firms with no size limitation. It contains information on sales, value added, output, exportations, employment, date of creation, location, investment and 4-digit industry code using the Moroccan Nomenclature of Economic Activities (NMAE). For a subset of firms we also have access to three much more detailed datasets: (1) FACS which contains production data for the years 1998 and 1999 (with some data for 1997) and business environment data for 1998, (2) ICA-2004[3] which contains production data for three years 2000, 2001, 2002 and business environment data for 2000 and (3) ICA-2007 which contains production and business environment data for 2002 and 2005.[4] The firms included in FACS, ICA-2004 or ICA-2007 are all contained in the Census.

[3] The World Bank's Investment Climate Surveys are available upon request. (http://www.enterprisesurveys.org/)

[4] On the web site of World Bank the data for ICA-2007 are indicated for 2004 and 2007. In fact, the comparison with Census data shows that the year 2004 corresponds to 2002. In the other hand we have no information to confirm the data of 2007. As 2004 is in reality 2002, we have inferred that 2007 is in reality 2005 but without evidence.

The FACS and ICA surveys cover food, textiles, garment, leather, chemicals, wood & paper including publishing, rubber & plastics, metals & mechanical and electrical & electronic industries. The surveys include firm location with seven distinct geographical areas identified: Grand Casablanca, Tanger-Tetouan, Rabat-Sale-Zemmour, Fes-Boulmane-Meknes, Oriental, Chaouia-Ouardigha and Agadir. The data contains a great deal of information on production variables, firm characteristics and business environment. We use 2-digit NMAE production price index and investment price index to deflate production, value-added, and investment.[5] The capital stock is available only for years 1997, 1998, 1999, 2000, 2001, 2002 and 2005 in the FACS and ICA databases and for 2003-2004 in the Census. To obtain the stock of capital for the remaining years of the sample, we use the available data on investment and apply the perpetual inventory method taking a depreciation rate of physical capital of 5%. After cleaning of the dataset we end up with an unbalanced panel containing 35,534 observations and 6,119 firms.[6] Each firm appears in the sample for at least three consecutive years and at most 9 years.

2.2 Measure of firm performance

We obtain consistent estimates of TFP at the firm level in the presence of endogenous input choices and selection issues using investment as a proxy for unobservable firm productivity with, on the one hand, the semi-parametric method developed by Olley and Pakes (1996, henceforth OP), and on the other hand, by taking into consideration the Ackerberg, Caves and Frazer (2007, henceforth ACF) recommendations to improve the OP technique. Following

[5] Source: IPPI Haut Commissariat au Plan, Morocco.

[6] The procedure used is close to Fernandes's one (2008) but less restrictive. Our cleaning has been realized in 2 steps. In a first one, we have eliminate from the sample (i) firms that have never reported any sales or material costs (ie costs of raw materials), (ii) observations when exports are bigger than sales, and (iii) observations with year-to-year growth rates in any of 3 ratios (sales to total workers, material costs to total workers and capital to total workers) larger (smaller) than 500% (-500%). These year-to-year growth rates are calculated with the constant variables. In a second step, we have always keept the firms who exist at less 3 consecutive years and we have dropped observations when we have one isolated year.

the semi-parametric method, we estimate a Cobb-Douglas production function by industry. The estimating equation is given by:

$$y_{it} = \beta_l l_{it} + \beta_k k_{it} + \omega_{it} + \varepsilon_{it} \tag{1}$$

Letting *i* denote the firm and *t* the year, all variables are in logarithms, y_{it} is value added, l_{it} is labor, k_{it} is capital, ω_{it} is productivity and ε_{it} is a mean-zero shock uncorrelated with input choices and unknown to the firm. Initially, the Olley and Pakes method, is based on a firm's profit maximization problem, where investment depends on two state variables: capital and productivity. Capital at *t* is obtained following the perpetual inventory method, where:

$$K_{it} = (1-d)K_{it-1} + I_{it-1} \tag{2}$$

Thus, the capital will only be impacted by the expected value of productivity ω_{it} conditional on ω_{it-1}. The main recommendation of ACF is the timing of labor input choices. While in the Olley and Pakes method, labor is consider as a free variable input, in ACF the labor is assumed to be chosen in the sub-period *t-b* (0<b<1), after capital is known (at *t*-1), but before investment is chosen at *t*. Therefore, labor can also be affected by the expected value of productivity ω_{it} conditional on ω_{it-1}. The estimation procedure assumes that productivity follows a first-order Markov process. The key idea behind the timing of firm level labor force choices arises from a recognition of possible rigidities in the labor market. Table 2 gives the production function coefficients with OLS, OP and estimations in the spirit of ACF respectively.

3. Empirical analysis

We investigate the effects of the business environment on firm-level performance while taking into account firm characteristics and with a particular focus on firm-level involvement in international trade. We estimate the following reduced-form regression:

$$TFP_{ijlt} = \beta_0 + \beta_1 BE_{ijlt} + \beta_2 Z_{ijlt} + \eta_j + \eta_l + \eta_t + \varepsilon_{ijlt} \tag{3}$$

With *i*, *j*, *l* and *t* designing respectively a firm, an industry, a localisation and a year. The dependant variable is firm performance measured by TFP using either the OP or ACF methodology; η_j, η_l and η_t are industry, location and year fixed effects, respectively; ε_{ijlt} is an unobserved error term; Z_{ijlt} includes firm characteristics which are likely to influence firm performance: age, age squared, the share of exports and a dummy for foreign ownership. BE_{ijlt} represents the business environment indicators.

The FACS and ICA datasets contain widespread and detailed information on the business environment. We first selected the key areas to focus on by exploiting information derived from firms' own perceptions as to the most crucial obstacles they faced. Here firms were asked to identify the key constraints they faced. The major obstacles identified by the firms were: (1) cost of finance (80% of firms); (2) access to finance (77%); (3) tax rates (65%); (4) access to land and industrial sites (41%); (5) the practice of competitors in the informal sector (38%); (6) relations with fiscal authorities (35%); (7) the court system and dispute resolution (29%); (8) inflation and exchange rate fluctuations (26%); quality of the workforce (22%). Within each theme there are generally multiple indicators with a potentially high level of correlation. Secondly, we then selected key possible explanatory indicators partly on the basis of similar measures used in the emerging literature, and partly on the basis of the availability of data in both FACS and ICA for a sufficiently large number of firms.

We therefore explore the role of four key areas and their impact on productivity:

- Finance: This is captured by seven different indicators: the interest rate on short term domestic debt (*Int rate ST*); and on long term domestic debt (*Int rate LT*); a dummy variable for firms having obtained a loan (*Loan dummy*); the amount of obtained loan outstanding as a percentage of sales (*Loan amount*); a dummy indicating if the firm has an overdraft facility (*Overdraft dummy*); the share of bank credit in firm financing need (*Loan funded*); and the share of self financing in firm financing need (*Self funded*).

- To represent the problem of the tax rates, we use the percentage of firms declaring that the fiscality is the same across firms in the same sector (*Equivalent taxation*). To take into account the problem of the access of land, we use the number of days needed to obtain a construction-related permit and a dummy for firms locating in a free area (*Wait construction permit*).
- Bureaucracy and regulatory environment is captured by the number of permissions needed each year to operate (*Adm constraints*), and by the number of permissions needed to create a firm (*Creation constraints*).
- Finally, infrastructure is captured by the number of water outages in a typical month (*Water outages*).

While the data contains information for each of these variables, the data is not consistently available for each firm and year. The finance variables are treated at the firm level where we include each firm for which we have the information for at least one year. These are therefore defined as time invariant firm specific variables. Where the information is available for more than one period than these are defined as a firm-specific average. The business environment variables are measured as location-industry averages of firm-level observations while excluding the individual firm's own responses (means and standard errors are presented in Table 1). In consequence the business environment in a specific industry j and location l is assumed to be common for all firms in a given industry j and location l, as well as being time invariant. As discussed in Fernandes (2008) the lack of time variability prevents us from using firm-level fixed effects estimation, and exploring the impact of changes over time, as well as impacting on the probability of finding significant coefficients.

On the other hand our approach has two key advantages. First, by choosing to use the industry-location means we significantly increase the number of observations in our data and importantly it allows us to incorporate the Annual Census data with the FACS/ICA data. Previous studies in this field as cited earlier are typically based only on ICA (or similar) surveys, which only represent sub-groups of firms with typically an over-representation by large firms more integrated into international world markets. The advantage of our approach is to include all firms from the Annual Census. Secondly, by using the location-industry averages minus individual firm's own responses we reduce the risk of endogeneity between the business environment and firm-level performance.[7] There is, of course, still the possibility of some endogeneity (see Dollar et al. 2005). This is because (a) we cannot exclude the possibility that more (or less) efficient firms tend to be concentrated in locations where the business environment is better (or worse), which for example may apply more to larger more mobile enterprises; (b) that firm performance in particular locations impacts on the business environment arising from pressure by firms on the local authorities; or (c) we cannot include all possible variables controlling for firms' location decisions.

Our empirical methodology is therefore to use OLS and random effects while controlling for potential unobserved factors which may affect the correlates of TFP and TFP itself. Hence all the regressions include industry, location and year fixed effects, as well as firm-level characteristics, such as age, export share, a dummy for foreign ownership etc as standard control variables. We also test for the robustness of our results by running control regressions

[7] Note we drop averages with fewer than four observations as Aterido et al. (2007).

by groups of firms depending on size, export status and presence of foreign capital[8]. Also, given the large number of possible finance and business environment variables there is a potential problem of multicollinearity. We therefore estimate the regressions including a single business environment variable at a time along with our standard control variables. Given its importance to firms we first consider the role of finance, and then move on to consideration of other business environment variables. Finally, to test the robustness of our results, we use two alternative measure of TFP of firms and we re-estimate equations with another estimator and by groups of firms depending on their characteristics.

4. The results

4.1. The role of finance at firm level

In Table 3 we focus on the impact of finance indicators on firm performance while controlling for age, age squared, the share of exports and a foreign capital dummy and including industry, year and location fixed effects. In so doing we do not control for endogeneity bias. For instance if we find a positive and significant coefficient for the dummy variable that captures the access to a bank loan, this may reflect either the fact that easier access to credit permits to have higher firm TFP or that firms with higher performance obtain bank loans more easily.

For each regression we use the two TFP estimations where the first is based on the ACF methodology and the second on the OP methodology. Consider first, columns (1) and (2). Here we find no link between the cost of finance measured by the short and long term domestic interest rates paid by firms.[9] This result is perhaps not surprising as the level of

[8] See for example, Aterido et al. (2009) on the differential impact of business environment constraints across firms of different size.

[9] The results are similar whether we drop the share of exports or the foreign capital dummy.

interest rates for this period were not very high. For the long term interest rate, the average was less than 9.5% and 90% of firms had rates less than 12%, and with short term interest rates being very near the long term levels. A possible explanation of an apparent paradox between the cost of finance being perceived as being problematic for firms and these results is perhaps a conflation of the financial cost for any given loan (i.e. the rate of interest) and the difficulty of obtaining a given loan. In Morocco the latter can be more difficult to obtain especially in the absence of an appropriate personal network and/or the absence of required collaterals. In this context it is interesting to note that 19% and 26% in overdraft facilities and loan respectively for the firms in our data were guaranteed by personal collateral.

Regressions (3) and (4) show that the dummies indicating the presence of a bank loan and an overdraft facility are also not correlated with firm-level productivity. When TFP is estimated with the ACF method (as with Fernandes, 2008, for the case of Bangladesh) we find a negative and insignificant coefficient for the presence of a bank loan and positive and insignificant coefficient for the access to an overdraft facility.[10] Van Biesebroeck (2005) for several sub-Saharan countries obtains similar signs but with significant coefficients by using probit regressions, while Moreno-Badia & Slootmaekers (2009) for Estonia suggest that financial constraints do not have an impact on firm productivity in most sectors. In contrast, for Bulgaria, Gatti and Love (2008) find that access to credit line is positively and strongly associated with TFP.

In comparison to the preceding papers, we also examine the role of other indicators of finance - the loan amount as a share of sales (“loan amount”), the share of the firm’s financing needs covered by bank loan (“loan funded”), and by self financing respectively (“self-funded”). If we turn first to column (5), the loan amount, we would in principle expect that loans as a

[10] In this paper, the TFP is also estimated by taking into account the ACF recommendations.

percentage of sales would be higher for more productive firms. This is because it is typically easier for more successful firms to obtain bank financing. Interestingly, here we find the reverse – there is a negative and significant coefficient; and similarly with regard to the share of the firm's finance needs covered by a bank loan (column 6). This suggests that less efficient firms borrow more and are more dependent on bank financing. We also find (column 7) that firms that use self financing are more productive , where once again one might expect that more successful firms might find it easier to obtain external sources of funding. While it may be true that less efficient firms might need more financing, if credit markets work efficiently it should also be the case that they will typically find it harder to get that financing. These results therefore suggest strongly that credit markets may not be working efficiently in Morocco.

We explore this issue further by distinguishing between different categories of firms in Table 4a and run the preceding regressions on the different categories. Here we consider small v large firms, high and low debt firms, high and low profit firms, exporter v non-exporter firms, and whether firms have any foreign capital or not. The results on "loan amount" and "loan funded" are once again very interesting. From Table 3 we see that less productive firms typically have higher loan amounts, and one might therefore expect these to be firms with higher debts and lower profits. Once again, however, we find the converse. The "loan amount" is negatively linked to TFP essentially for firms characterised by low debt, but with no difference by level of profit. Table 4b tests for the robustness of the results by running a set of random effects regressions, and the same pattern of results emerges. These results suggest that more finance is being allocated to low productivity firms, but that this in turn is not well correlated with profits and/or debts – once again indicative of a possible misallocation of resources.

This can perhaps be understood by considering the distinction between size, export status and the presence of foreign capital. A priori we might expect that the large and/or exporter and/or with foreign capital would be less constrained by the availability of domestic bank credits. For example Beck et al. (2005) find that financial obstacles have a much greater impact on the operation and growth of small firms than of large ones. In contrast our results show that the coefficients that link financial indicators and TFP are more often negative and significant for larger firms, those that export, and those with access to foreign capital. This possibly suggests that if there is a misallocation of resources it could be that there may be a bias towards the financing of firms who export and who also tend to be larger and/or with foreign capital but not necessarily because they are more efficient.

A further reason for possible inefficiencies in the allocation of credit could arise from difficulties in obtaining adequate information by the banks in order to evaluate the financial viability / profitability of firms' investment projects. To test for this explanation we do an interaction between the share of the firm's needs financed by bank loan and a dummy indicating whether the firm has its annual financial statement checked and certified by an external auditor. This is reported in column (8) of Table 3, where we find a negative and significant coefficient, which lends strong supports to the explanation given above. This negative and significant relationship between bank loans and TFP is also verified for firms that have not had their annual financial statement checked and certified by an external auditor in the case of large, low debt, high profit, exporter and no foreign capital in the last two columns of Tables 4a and 4b.

4.2. The role of business environment at industry and location level

In Tables 5 and 6 we explore the relationship between firm-level productivity and some further key business environment variables, which are here included as industry-location averages. In Table 5 we consider the whole sample, and interestingly there are only two significant variables. In column (1) we see a positive and significant coefficient associated with the presence of fiscal homogeneity by sector. Lack of fiscal homogeneity arises where firms may be subject to differential taxes either across regions or within a given region. This in turn may occur either because of differences linked to firm size / turnover, or because of firm-level connections enabling it to get waivers or exceptions from paying tax, or because the firm perceives itself as competing with firms in the informal sector. These results suggest that greater fiscal equality and certitude for firms is more likely to create incentives for investment leading to increases in productivity.

There is then also some evidence from column (4) that administrative constraints arising from a heavier bureaucracy and differences in regulations (captured by the number of permissions needed each year to operate) are negative correlated with firm-level performance. It is interesting to note that there appears to be no evidence that difficulties in obtaining construction permits ("wait construction permit") or the number of permissions required for establishing a firm ("creation constraints"), or the number of "water outages" are correlated with TFP.

In the preceding we have taken into account firm-level heterogeneity while controlling for age, exports and foreign capital, in addition to year dummies, industry dummies at 2-digit, and location dummies. In Tables 6a and 6b, similarly to the analysis undertaken for the finance variables, we decompose these business environment variables according to key firm characteristics - size (measured by the number of permanent employments)[11], export status and presence of foreign capital).

In contrast to the results for the financial indicators, these are perhaps more intuitive. If we consider first the results for equivalent taxation, we see that fiscal homogeneity has the greatest impact on small firms, those that do not export, and those that do not have access to foreign capital. Similarly we find that the same categories of firms are sensitive to other indicators of bureaucracy and regulatory climate, except (“wait construct” and “water outages”), which are each associated with lower productivity. The results obtained are highly comparable across the OLS (Table 6a) and random effect estimations (Table 6b). All this suggests that regulatory differences and infrastructure difficulties make it more difficult for smaller firms who typically tend to be non exporters and not to have access to foreign capital to operate as effectively. In turn this has clear implications for policy.

5. Conclusion

In this paper, we shown the nature of some of the key linkages between firms’ business environment and their performance measured by the TFP. In the first place we have considered the role of access to finance (based on firm-level indicators); and in the second place we have used the others indicators of business environment (defined by industry and location). The paper highlights several results that are relevant from a policy point of view in the context of Morocco, and the potential role of trade openness and deep integration.

The firms’ own assessments were that the most crucial obstacles to their performance was access to finance, and the issue of tax rates. The regressions go a long way to confirming

[11] We have created two groups of firms relative to the median.

these perceptions. We provide strong evidence that there may be a misallocation of financial resources in Morocco with the loan amount being negatively linked to TFP. This is primarily for firms characterised by low debt, but does not appear correlated with differences in profit levels. We also find that the coefficients linking the financial indicators and TFP are more often negative and significant for large, exporting and with foreign capital firms compared to small, no exporting and without foreign capital respectively. This suggests that financing mat be easier for such firms but not because they are any more productive.

Financing appears more difficult for small, non exporting firms without access to foreign capital, where we also identify the importance of other business environment indicators. Overall we find the absence of homogeneous taxation treatment across firms and the number of permissions needed each year to operate a given business are the main elements that impact upon the Moroccan firms' productivity. However, this is especially the case for firms who are small, and/or do not export and/or do not have access to foreign capital.

Table 1. Business environment variables by industry & location

Variables	Number of observations	Mean	Standard errors
Equivalent taxation	20256	0.69	0.14
Wait construction permit	25550	39.11	13.13
Creation constraints	22907	9.83	2.14
Administrative constraints	22814	0.54	0.61
Water outages	22891	2.76	4.86

Table 2. Production function estimates

	OLS			O&P			ACF-recommandations		
Industry	**Labor**	**Capital**	**Obs**	**Labor**	**Capital**	**Obs.**	**Labor**	**Capital**	**Obs**
Food	0.829 ***	0.411 ***	3325	0.321 ***	0.036 ***	1829	0.798 ***	0.528 ***	1829
	(0.017)	(0.011)		(0.059)	(0.294)		0.032	0.033	
Textile	0.846 ***	0.244 ***	2091	0.498 ***	0.386 ***	1275	0.839 ***	0.285 ***	1275
	(0.018)	(0.012)		(0.070)	(0.131)		0.225	0.118	
Garment	0.881 ***	0.206 ***	3022	0.516 ***	0.421 ***	1883	0.770 ***	0.251 *	1883
	(0.014)	(0.011)		(0.056)	(0.130)		0.231	0.139	
Leather	0.877 ***	0.239 ***	864	0.399 ***	0.433 ***	518	0.769 ***	0.265 ***	518
	(0.025)	(0.017)		(0.100)	(0.147)		0.047	0.030	
Wood	1.102 ***	0.232 ***	1939	0.653 ***	0.634 *	1070	1.104 ***	0.312 ***	1070
	(0.027)	(0.019)		(0.105)	(0.376)		0.044	0.058	
Chemical products	0.972 ***	0.337 ***	684	0.708 ***	0.842 ***	483	0.971 ***	0.597 ***	483
	(0.041)	(0.029)		(0.153)	(0.312)		0.263	0.243	
Rubber and other	0.894 ***	0.289 ***	2060	0.519 ***	0.777 ***	1259	0.856 ***	0.567 ***	1259
	(0.026)	(0.017)		(0.083)	(0.346)		0.236	0.220	
Metal	0.978 ***	0.259 ***	2164	0.300 ***	-0.065	1232	0.914 ***	0.316 ***	1232
	(0.021)	(0.014)		(0.059)	(0.479)		0.132	0.041	
Electrical machinery	0.722 ***	0.404 ***	537	0.579 ***	0.429 ***	332	0.615 ***	0.368 ***	332
	(0.036)	(0.025)		(0.178)	(0.039)		0.068	0.037	
Transport and other equip.	1.176 ***	0.164 ***	661	0.754 ***	0.636 ***	462	1.145 ***	0.294 ***	462
	(0.044)	(0.031)		(0.219)	(0.257)		(0.152)	(0.145)	

Notes: Robust standard errors are in parentheses in the column with OLS estimates. Bootstrap standard errors are in parentheses in the columns with ACF and OP estimates. * significant at 10%; ** significant at 5%; *** significant at 1%. The number of observations used for OLS estimation is higher since it includes firms with zero investment contrary to semi-parametric estimations.

Table 3. Finance and firm productivity (OLS)

	Dependent variable : ln(TFP_{it})															
	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)	
Variables	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**
Int rate ST	-0.160	-0.390														
	(0.239)	(0.348)														
Int rate LT			-0.138	-0.305												
			(0.749)	(0.855)												
Loan dummy					-0.041	0.030										
					(0.049)	(0.058)										
Overdraft dummy							0.002	0.086								
							(0.056)	(0.080)								
Loan amount									-0.027***	-0.037***						
									(0.008)	(0.013)						
Loan funded											-0.182**	-0.082				
											(0.084)	(0.100)				
Self funded													0.098*	0.119*		
													(0.055)	(0.072)		
Loan*cerT															0.003	0.113
															(0.238)	(0.287)
Loan*Nocert															-0.281**	-0.196
															(0.127)	(0.132)
Constant	0.679***	7.155***	0.806***	7.337***	0.682***	7.104***	0.781***	6.876***	0.798***	7.183***	0.813***	6.950***	0.672***	6.842***	0.850***	7.430***
	(0.114)	(0.150)	(0.166)	(0.190)	(0.122)	(0.173)	(0.098)	(0.157)	(0.116)	(0.168)	(0.090)	(0.137)	(0.103)	(0.151)	(0.149)	(0.197)
Inds dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Loca dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4023	4023	2553	2553	3872	3872	5681	5681	2262	2262	5643	5643	5594	5594	2065	2065
R-squared	0.67	0.89	0.68	0.9	0.67	0.87	0.65	0.87	0.73	0.91	0.65	0.87	0.65	0.87	0.70	0.90

*Source: authors' calculation. Robust standard errors are in parenthesis. * Significant at 10%, ** at 5%; *** at 1%. All regressions include age, age squared, export share and foreign capital. For simplicity we do not present their coefficients but they are significant and they have the expected coefficient sign. TFP1 is the total factor productivity of firm estimated with ACF recommendations' and TFP2 is the total factor productivity of firms estimated using the OP method.*

Table 4a. Finance and firm productivity by groups of firms (OLS)

	Dependent variable : ln(TFP_{it})									
	Loan amount		**Loan funded**		**Self funded**		**Loan*cert**		**Loan*Nocert**	
Groups of firms	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**
Large	-0.033***	-0.046***	-0.211**	-0.247**	0.075	0.095	-0.011	0.228	-0.300***	-0.228*
	(0.008)	(0.013)	(0.086)	(0.097)	(0.060)	(0.074)	(0.249)	(0.270)	(0.108)	(0.123)
Small	-0.028**	-0.01	-0.071	-0.058	0.186*	0.184	0.304	-0.01	0.479	0.519
	(0.012)	(0.014)	(0.165)	(0.170)	(0.107)	(0.119)	(0.428)	(0.459)	(0.373)	(0.451)
High debt	-0.025***	-0.030***	-0.165	-0.099	0.112	0.089	0.112	0.161	-0.228	-0.187
	(0.008)	(0.011)	(0.119)	(0.122)	(0.072)	(0.083)	(0.328)	(0.412)	(0.189)	(0.203)
Low debt	-0.578*	-0.857**	-0.232**	-0.098	0.107	0.142	-0.228	0.177	-0.235*	-0.016
	(0.318)	(0.365)	(0.117)	(0.136)	(0.089)	(0.122)	(0.275)	(0.302)	(0.139)	(0.144)
High profit	-0.064*	-0.103*	-0.159*	-0.113	0.099	0.106	-0.039	0.129	-0.293*	-0.269
	(0.038)	(0.062)	(0.096)	(0.113)	(0.065)	(0.083)	(0.250)	(0.298)	(0.160)	(0.174)
Low profit	-0.018***	-0.021**	-0.239**	-0.015	0.075	0.114	-0.366	-1.184	-0.120	0.038
	(0.003)	(0.009)	(0.119)	(0.136)	(0.081)	(0.097)	(0.587)	(0.751)	(0.138)	(0.155)
Exporter	-0.289**	-0.416***	-0.205**	-0.287**	0.123**	0.181**	0.209	0.145	-0.326**	-0.300**
	(0.112)	(0.119)	(0.099)	(0.111)	(0.061)	(0.077)	(0.392)	(0.417)	(0.130)	(0.142)
Non exporter	-0.019*	-0.016	-0.07	0.229	0.046	-0.006	-0.256	0.031	-0.132	0.028
	(0.010)	(0.012)	(0.149)	(0.195)	(0.107)	(0.131)	(0.238)	(0.377)	(0.208)	(0.228)
Foreign capital	-0.033***	-0.061***	-0.388**	-0.405	0.119	0.115	-0.093	0.314	-0.008	0.071
	(0.009)	(0.017)	(0.188)	(0.247)	(0.112)	(0.156)	(0.541)	(0.719)	(0.259)	(0.284)
No foreign capital	-0.023*	-0.029	-0.097	0.072	0.082	0.084	-0.188	-0.18	-0.310**	-0.179
	(0.012)	(0.019)	(0.094)	(0.109)	(0.064)	(0.078)	(0.264)	(0.243)	(0.145)	(0.157)

*Source : authors' calculation. Robust standard errors are in parenthesis. * Significant at 10%, ** at 5%; *** at 1%. All regressions include age, age squared, export share and foreign capital. For simplicity we do not present their coefficients but they are significant and they have the expected coefficient sign. TFP1 is the total factor productivity of firm estimated with ACF recommendations' and TFP2 is the total factor productivity of firms estimated using the OP method.*

Table 4b. Finance and firm productivity by groups of firms – robustness checks (random effects)

	Dependent variable : $\ln(TFP_{it})$									
	Loan amount		Loan funded		Self funded		Loan*cert		Loan*Nocert	
Groups of firms	TFP1	TFP2	TFP1	TFP2	TFP1	TFP2	TFP1	TFP2	TFP1	TFP2
Large	-0.029***	-0.041***	-0.191**	-0.257***	0.101*	0.112	-0.071	0.083	-0.262***	-0.195
	(0.008)	(0.013)	(0.083)	(0.096)	(0.060)	(0.072)	(0.253)	(0.269)	(0.100)	(0.123)
Small	-0.028**	-0.013	-0.063	0.028	0.197*	0.161	0.238	-0.075	0.267	0.369
	(0.013)	(0.012)	(0.157)	(0.179)	(0.102)	(0.117)	(0.473)	(0.497)	(0.305)	(0.346)
High debt	-0.022***	-0.027**	-0.213*	-0.143	0.171**	0.139*	0.032	-0.033	-0.219	-0.178
	(0.008)	(0.012)	(0.111)	(0.122)	(0.070)	(0.082)	(0.336)	(0.424)	(0.173)	(0.201)
Low debt	-0.707**	-0.933***	-0.146	-0.037	0.093	0.14	-0.176	-0.034	-0.166	0.022
	(0.332)	(0.356)	(0.112)	(0.136)	(0.090)	(0.122)	(0.282)	(0.296)	(0.132)	(0.145)
High profit	-0.035	-0.049	-0.162*	-0.068	0.134**	0.102	-0.035	0.083	-0.256	-0.248
	(0.028)	(0.041)	(0.093)	(0.116)	(0.065)	(0.086)	(0.255)	(0.324)	(0.160)	(0.183)
Low profit	-0.017***	-0.020***	-0.225*	0.011	0.078	0.108	-0.513	-1.028*	-0.092	0.163
	(0.003)	(0.008)	(0.116)	(0.139)	(0.079)	(0.095)	(0.492)	(0.617)	(0.138)	(0.160)
Exporter	-0.291**	-0.456***	-0.184*	-0.225**	0.130**	0.180**	0.105	0.08	-0.294**	-0.252*
	(0.121)	(0.146)	(0.095)	(0.110)	(0.060)	(0.075)	(0.379)	(0.394)	(0.121)	(0.138)
Non exporter	-0.014*	-0.008	-0.104	0.28	0.095	-0.028	-0.228	-0.050	-0.091	0.116
	(0.008)	(0.010)	(0.139)	(0.180)	(0.101)	(0.123)	(0.259)	(0.388)	(0.199)	(0.250)
Foreign capital	-0.033***	-0.052***	-0.407**	-0.345	0.155	0.141	-0.222	0.166	-0.011	0.127
	(0.009)	(0.015)	(0.184)	(0.225)	(0.111)	(0.146)	(0.546)	(0.671)	(0.233)	(0.271)
No foreign capital	-0.023*	-0.026	-0.064	0.168	0.089	0.065	-0.166	-0.183	-0.207	-0.091
	(0.013)	(0.019)	(0.089)	(0.108)	(0.061)	(0.074)	(0.251)	(0.244)	(0.135)	(0.152)

*Source: authors' calculation. Robust standard errors are in parenthesis. * Significant at 10%, ** at 5%; *** at 1%. All regressions include age, age squared, export share and foreign capital. For simplicity we do not present their coefficients but they are significant and they have the expected coefficient sign. TFP1 is the total factor productivity of firm estimated with ACF recommendations' and TFP2 is the total factor productivity of firms estimated using the OP method.*

Table 5. Bureaucracy, regulation and firm productivity

	Dependent variable : ln(TFP_{it})									
	(1)		(2)		(3)		(4)		(5)	
Variables	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**
Equivalent taxation	0.380*	0.506*								
	(0.207)	(0.268)								
Wait construction permit			0.005	0.065						
			(0.062)	(0.099)						
Creation constraints					-0.287	0.063				
					(0.192)	(0.294)				
Adm. constraints							-0.079*	-0.025		
							(0.047)	(0.073)		
Water outages									0.011	-0.012
									(0.025)	(0.041)
Constant	0.543***	5.587***	0.847***	5.771***	1.541***	5.872***	0.784***	5.996***	0.844***	5.959***
	(0.171)	(0.230)	(0.233)	(0.360)	(0.467)	(0.704)	(0.063)	(0.107)	(0.064)	(0.101)
Inds dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Loca dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	11095	11095	12998	12998	9650	9650	9549	9549	10852	10852
R-squared	0.61	0.83	0.58	0.83	0.62	0.79	0.63	0.80	0.61	0.82

*Source: authors' calculation. Robust standard error cluster by firms are in parenthesis. * Significant at 10%, ** at 5%; *** at 1%. All regressions include age, age squared, export share and foreign capital. For simplicity we do not present their coefficients but they are significant and they have the expected coefficient sign. TFP1 is the total factor productivity of firm estimated with ACF recommendations' and TFP2 is the total factor productivity of firms estimated using the OP method.*

Table 6a. Bureaucracy, regulation and firm productivity by groups of firms (OLS)

	Dependent variable : ln(TFP_{it})									
	Equivalent taxation		Wait construct		Creation constraints		Adm constraints		Water outages	
Groups of firms	TFP1	TFP2	TFP1	TFP2	TFP1	TFP2	TFP1	TFP2	TFP1	TFP2
	0.127	0.189	-0.023	-0.031	0.021	0.287	-0.062	-0.030	0.021	-0.006
Large	(0.254)	(0.295)	(0.090)	(0.110)	(0.291)	(0.333)	(0.079)	(0.090)	(0.039)	(0.046)
	0.876***	0.886**	-0.017	0.041	-0.660**	-0.410	-0.158***	-0.151**	0.012	0.035
Small	(0.322)	(0.415)	(0.080)	(0.103)	(0.279)	(0.330)	(0.059)	(0.073)	(0.036)	(0.045)
	-0.221	-0.297	0.003	-0.002	-0.434	0.253	0.084	0.046	0.002	0.023
Exporter	(0.276)	(0.340)	(0.098)	(0.132)	(0.328)	(0.461)	(0.081)	(0.103)	(0.039)	(0.055)
	0.850***	0.837**	-0.025	-0.082	-0.523*	-0.718*	-0.209***	-0.203**	0.046	0.044
Non exporter	(0.303)	(0.426)	(0.082)	(0.125)	(0.277)	(0.381)	(0.058)	(0.088)	(0.040)	(0.061)
	-0.053	0.345	0.053	0.143	0.266	0.406	-0.001	-0.043	-0.030	-0.078
Foreign capital	(0.410)	(0.438)	(0.162)	(0.272)	(0.466)	(0.728)	(0.123)	(0.175)	(0.067)	(0.108)
	0.517**	0.508*	-0.004	0.024	-0.401*	0.323	-0.092*	0.032	0.022	-0.012
No foreign capital	(0.225)	(0.279)	(0.068)	(0.107)	(0.215)	(0.303)	(0.048)	(0.074)	(0.027)	(0.040)

*Source: authors' calculation. Robust standard errors are in parenthesis. * Significant at 10%, ** at 5%; *** at 1%. All regressions include age, age squared, export share and foreign capital. For simplicity we do not present their coefficients but they are significant and they have the expected coefficient sign. TFP1 is the total factor productivity of firm estimated with ACF recommendations' and TFP2 is the total factor productivity of firms estimated using the OP method.*

Table 6b. Bureaucracy, regulation and firm productivity by groups of firms – robustness checks (Random effects)

	Dependent variable : ln(TFP_{it})									
	Equivalent taxation		**Wait construct**		**Creation constraints**		**Adm constraints**		**Water outages**	
Groups of firms	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**	**TFP1**	**TFP2**
	0.074	0.401	-0.064	-0.079	0.115	0.276	-0.058	-0.051	0.020	0.020
Large	(0.274)	(0.301)	(0.088)	(0.099)	(0.266)	(0.312)	(0.062)	(0.072)	(0.028)	(0.032)
	0.587**	0.501*	0.016	0.100	-0.592**	-0.219	-0.154***	-0.116*	0.013	-0.002
Small	(0.263)	(0.298)	(0.073)	(0.085)	(0.252)	(0.294)	(0.055)	(0.059)	(0.034)	(0.038)
	-0.322	0.128	-0.02	0.018	-0.370	0.362	0.002	0.001	0.022	0.013
Exporter	(0.286)	(0.322)	(0.087)	(0.102)	(0.359)	(0.425)	(0.077)	(0.085)	(0.034)	(0.037)
	0.750**	0.593*	0.005	0.120	-0.445*	-0.199	-0.184***	-0.130**	0.041	0.010
Non exporter	(0.293)	(0.335)	(0.078)	(0.097)	(0.245)	(0.307)	(0.053)	(0.062)	(0.034)	(0.042)
	-0.215	0.984**	-0.081	0.138	0.532	1.060*	-0.063	0.015	0.001	-0.023
Foreign capital	(0.426)	(0.432)	(0.115)	(0.133)	(0.471)	(0.570)	(0.099)	(0.114)	(0.047)	(0.049)
	0.452**	0.621**	0.017	0.077	-0.473**	0.159	-0.111**	-0.016	0.024	-0.026
No foreign capital	(0.229)	(0.271)	(0.067)	(0.086)	(0.210)	(0.266)	(0.047)	(0.057)	(0.026)	(0.032)

*Source: authors' calculation. Robust standard errors are in parenthesis. * Significant at 10%, ** at 5%; *** at 1%. All regressions include age, age squared, export share and foreign capital. For simplicity we do not present their coefficients but they are significant and they have the expected coefficient sign. TFP1 is the total factor productivity of firm estimated with ACF recommendations' and TFP2 is the total factor productivity of firms estimated using the OP method.*

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Part 2

A Descriptive Analysis of Convergence of the Moroccan Economy

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Synthesis

Introduction of the Synthesis

This report is the second part of the overall study on convergence of the Moroccan economy. The current part is devoted to describing the salient economic and social features that have characterized Morocco during the last recent years. The present report looks at different macroeconomic, trade and microeconomic issues to see how the major reforms undertaken have generated further convergence between Morocco and the European Union. The analysis is based both on data, qualitative information and some case studies of enterprises. The outcomes attained show that Morocco is actively pursuing changes and reforms in almost all sectors in relation to the collaborative framework with the EU.

During these last fifteen years, Morocco has been undergoing major changes, reforms and transformations that have been shaping globally the economy and society. These reforms have been also related to the acceleration of the openness of the economy and to series of agreements and international arrangements promoted during this era. These agreements include the relationships with the European Union (EU). Within this framework, the attainment of higher levels of convergence to EU and international standards in most of the economic, social and political components is expected.

The present study is a description of the achievements observed in Morocco within the last fifteen years. It is mainly based on existing official reports and documents produced by Moroccan Government, private organizations and non-governmental agencies with other documents from international institutions.

As this is mainly a descriptive study, the synthesis is here introduced under interdependent headings that cover, the overall agreements, the economic policies, the political and social reform before ending with the situation expressed at the level of enterprises by the firms themselves but also by the data published by World Bank under "Doing Business".

A. Overall economic openness and trade liberalization

Major changes have been occurring in the Moroccan economy. These changes are following the reforms trends undertaken in further openness and trade liberalization frameworks besides a characterization of the macroeconomic situation.

- **Convergence Under Moroccan-EU arrangements**

The trade relationships between Morocco and the European Union go back to 1969 with the first trade agreement. The relationships evolved into a second agreement in 1976. Yet, starting from 1995 a major evolution was marked by the new agreements related to the Barcelona process which has for the first time established for a cooperation framework based on long term integration and convergence objectives (The Commission of European Community, 2008). The new strategy introduced preconditions for cooperation to be met by the Southern Mediterranean countries such as macroeconomic stability, low external debt, a high degree of openness and liberal regulatory framework

This partnership was a framework for multidimensional cooperation between the EU and 12 countries (Morocco, Algeria, Tunisia, Cyprus, Turkey, Syria, Malta, Jordan, Egypt, Israel, Lebanon and Palestine) covering:

In 1996, the European Union and the Med12 signed the Mediterranean Agreement, MEDA, a financial tool for launching Euro-Mediterranean co-operation. Given the satisfactory level of progress reached by Morocco in most of these areas, the EU agreed in October 2008 to grant Morocco an Advanced Status.

- **Development of Free Trade Agreements by Morocco**

Series of trade agreements are developed and show the engagement of Morocco in further economic openness and pursuit of trade liberalization policies. These agreements include: U.S.-Morocco Free Trade Agreement, agreement with the EU, Turkey-Morocco Free Trade Agreement, Egypt-Morocco Free Trade Agreement, Tunisia-Morocco Free Trade Agreement, Jordan-Morocco Free Trade Agreement, United Arab Emirates-Morocco Free Trade Agreement, and Morocco-Tunisia-Egypt-Jordan Free Trade Area.

- **Trade Policy**

Throughout the last decade, Morocco has continued to consolidate its external position with respect to its relations with its trade partners. Although the current account of the balance of payments displayed a slight deficit in 2007, it has displayed a constant surplus during 6 years before. Such performance is mainly a result of a healthy balance of services which participated in counterbalancing the decline in the balance of goods. Imports grew at an average annual rate of 13.3% between 2002 and 2007 as a result of sustained tariff reductions, the increase in the energy and cereals prices, the enhanced levels of capital goods imports, and to the growing demand for consumer goods reflecting an improved purchasing power in the country. Concerning goods exports, a considerable annual growth of 7.5% was reached by 2007 compared to 2002. Morocco exports mainly textiles, chemical and parachemical products, and agricultural and Agri-food products. As far as services are concerned, their share in the GDP progressed considerably from 4.8% in 2002 to 9% in 2007. Services exports grew by 13.9% per year since 2002 reaching 46% of total exports in 2007. Such growth is mainly related to the development in the telecommunications and the off-shoring sectors.

- **Macroeconomic aspects related to convergence**

According to the World Bank, the macroeconomic and fiscal conditions of Morocco are solid and sound, which helped the economy resist to the first wave of shocks of the current economic crisis. The Moroccan financial sector has not been affected by the crisis due to its low exposure to foreign financial markets. Nevertheless, over the second half of 2008 and the first quarter of 2009 the real economy has been affected by the second wave of shock. Accordingly, after a steady yearly growth of 4-5% from 2000 to 2007, economic growth was 5.8% in 2008 which is significantly less than the 6.8% projected by the Budget Law 2008. Overall, growth was driven by the agricultural sector (10.8%), construction (9.4%), telecommunications (10.2%), and financial services (17.8%) (World Bank, 2009).

Another economic challenge facing the country is the souring inflation (3.9%) given a higher imported inflation. Food inflation reached a rate of 6.8% and non-food inflation was 1.5%.

Unemployment is another challenging aspect of the Moroccan economy. Although, the overall unemployment rate has continued to fall down to 9.6%, unemployment rate for instance, among the 15-24 age cohort in urban areas remains as high as 31.8%. A related challenge is the widening gap between the competencies and skills demanded by the job market and the output of the national education system (World Bank, 2009).

B. The salient economic policies pursued

The following areas have been benefiting from economic and social policies aiming at promoting better economic and social policies as they related to the series of agreements undertaken with the rest of the world and the EU in particular. These different areas are:

- **Public procurement**

Public procurement is of a strategic importance in the context of an emerging economy such as Morocco. Public procurement is directly related to the investment projects undertaken by the government and thus to development in a given economy. As a matter of fact, recent statistics indicate that public procurement in Morocco accounts for 70% of the activity of construction firms and for 80% of business in engineering firms. Also, 11,614 government contracts were awarded in 2007, up to 90% of which were awarded through open tendering (Beth and Hrubi, 2008). The importance public procurement thus stems from the creation of considerable business opportunities for Moroccan firms. Further, public procurement, by attracting foreign firms as well creates opportunities for foreign expertise and know-how transfer to the country.
Given the financial stakes of the sector, it is highly exposed to corruption risks.

- **Competitiveness policies**

As far as Morocco is concerned, the introduction of a competition law was in 2000 sets a major turning point relative to the prior management of markets and pricing. The 2000 competition law has in effect annulled the law of 1971 which established for the government control of prices and conditions of sales. In other words, freedom of pricing has become the general rule while government controls have become the exception. Priority is now given to the functioning of markets following the laws of demand and supply upon which a more efficient pricing is expected. Further, the new competition policy was at the center of Morocco's commitments towards the EU as a first trade partner as well as towards the WTO (Global Competition Forum, 2009).
The principles of free market access and fair competition are also established by the new law which identifies and prohibits anti-competitive practices. These include collusive pricing or market allocation, the abuse of an operator's or group of operators' dominant market position, and instances of an economic partner's dependency. Further, the new law introduces control mechanisms related to economic concentrations. Accordingly, merger and acquisition activities likely to lead to or reinforce dominant positions are closely monitored given their detrimental effect on competition.

- **Intellectual Property**

In Morocco, IP is primarily protected through national legislations. The country is also a member of several international bodies and is signatory of related treaties. Two agencies are directly concerned with the organization of the IP landscape in Morocco, namely the Moroccan Agency for Industrial and Commercial Property (Office Marocain de la Propriété Industrielle et Commerciale - OMPIC) and the Moroccan Office for Authors' Rights (Bureau Marocain du Droit d'Auteur - BMDA).
The BMDA is the public entity responsible for the issuance and protection of Copyright and related rights. It operates under the supervision of the Ministry of Communications. The functions of the BMDA include the issuance of registration statements identifying rights' holders, of permits for the exploitation and use of protected works, and of permits for the use of expressions of folklore when they have a commercial purpose or outside the traditional.

- **Labor Law**

The new labor law voted in 2003 and effective since June 2004 was introduced as a comprehensive legal framework organizing labor in Morocco. It has replaced the dispersed statutes, decrees, regulations, and court rulings that used to regulate labor, in some cases dating from the 1920s. The new law entails also a commitment to adopt and ratify International Labor Organization (ILO) Convention No. 87 on Freedom of Association and Protection of the Right to

Organize and to consider adoption and ratification of ILO Convention No. 151 on Labor Relations in Public Service (US Department of Labor, 2004).
Recognizing the importance of the retirement system in Morocco, the Government adopted an action plan in order to reform that sector. It includes a set of urgent measures to remedy to the difficulties that pension plans face in the short term as well as the commitment of a reflection on a retirement system to ensure its sustainability over the long term (Ministry of Economy and Finance, 2009).

- **Investment Promotion**

Morocco has adopted the Investment Charter in1995 as a national initiative to enhance the country's attractiveness to foreign investments.
The Moroccan government has built its strategic reform related to investment around three axes: a more conducive institutional and legal framework for international investors, a regional strategy for FDI promotion, and a sectoral strategy based on outsourcing and delocalization (Ministry of Economy and Finance, 2009).
The building blocs of this reform is concentrating on right to invest as well as the right of investors to transfer revenues generated from investments such as profits or dividends along with the earnings made from sale or liquidation without any limitations. Apart from agriculture, all sectors are allowed to receive foreign investments. Arrangement under the form of long term leases is granted to foreign investors to overcome the prohibition related to the acquisition of arable lands.

- **Infrastructure and transportation**

Besides the above policies, transportation and logistics in general have been benefiting from large investments and actions. This includes air, land and sea transportation.
The Tangiers Med port is a project that provides an example of the infrastructure developed. This allows enhancing competitive transport, trade, with the development of industrial platforms.

- **Financial, industrial platforms and tourism services**

The modernization of laws dealing with the credit institutions has been achieved throughout the establishment of the role that the central bank needs to play in term of monetary policy maker, reinforcing the banking law and the law dealing with ending any activity related to money laundering (Ministry of Economy and Finance, 2009).
Given the potential for development and positioning of public financial institutions in the domestic financial sector in order to sustain social and economic development, the authorities have set up plans in order to have specific restructuring for those institutions.
The modernization of the stock market has continued with the adoption of several new or amended laws.
With regard to Information and Communication Technologies (ICTs), Morocco's strategy for upgrading its sector is considered as a groundbreaking example in the region. Starting from the mid 1990s, Morocco has undertaken the task of liberalizing the telecommunications sector based on a mixture of domestic policy measures and foreign investment which led to impressive results. In June 1997, a telecom sector law entered into force establishing for private participation and competition. It has also defined licensing principles and resulted in the creation of an independent regulator being the National Telecommunication Regulatory Agency (ANRT). Three major operators are now occupying the market for telecommunication.
Major technological platforms have been promoted in different sectors to ensure the penetration and development of new technologies.
Regarding tourism, a new national tourism strategy was put in place starting from 2001, made the sector a national priority. This strategy referred to as "Plan Azur" aims at attracting 10 million tourists by 2010. The strategy builds on seeking travel wholesalers and the development of a

sufficient accommodation capacity to meet the growing demand, meaning the tripling of hotels' capacity to reach 230 000 beds. The strategy should generate about 600 000 new direct and indirect jobs in the sector and result in tourism contributing 20% to the GDP of the country by 2010.
The sectors of distribution and franchising have also been empowered through the actions of the Government and the private sector. Offshoring has also been intensively supported as it generates employment, enterprise creation and trade between Morocco and the EU.

C. Democratization, gender empowerment and human development

The process of democratisation is perceived by the Moroccan government as a priority area. The Moroccan constitution has undergone five revisions since its adoption in 1962. The fourth revision was operated in 1992 and aimed at creating a Constitutional Council and parliamentary investigation committees. This amendment has also reduced the age of full legal citizenship from 21 to 20. The last change occurred in 1996 and established for the creation of a bicameral legislation body.

In 2007, a new law on political parties was promulgated. The new law aimed at upgrading the political sphere in the country by establishing sound driving principles such as democracy and transparency at the level of political parties' creation, electoral programs, management, financing, and respect of laws. In addition, a Municipalities Charter (Charte Communale) was put in place with the objectives of entrenching democracy principles at the local level through proposing a new organization for cities, by extending the prerogatives of municipalities as prime economic and social development agents, and by mitigating the central government control.

In 1993, Morocco has ratified the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) with reservations regarding possible conflicts with Islamic law. The legislative elections of 2002 have witnessed the introduction of a quota system granting women 30 seats in the House of Representatives for women, becoming the only country in the region in which women presence in the parliament has reached 10% as 34 women won seats that year. The legal status of women has also reached a turning point in 2003 with the promulgation of the new family code according which women are their own guardians; the legal age for marriage was raised to 18, polygamy came under new restrictions that are highly prohibitive, women have equal rights to divorce; verbal repudiation is no longer legally binding, and no divorce can be final until the assets of the couple are equitably distributed and any debts owed to the wife and children have been paid.

On the social front, the most important and meaningful engagement of Morocco has forged during the recent years with the creation of the National Initiative for Human Development (INDH) in 2005 at both national and regional levels. The creation of the National Observatory for Human Development (ONDH) supports the INDH with regard to the direction of actions, future initiatives and tools for evaluation. These institutional frameworks are devoted to poverty alleviation and human development. As poverty is local problem, the INDH develops projects that are targeted to generate more inclusion and better access to material and immaterial means of living for the poorest segments of the population. The focus on women, children and disabled besides targeting the most vulnerable urban and rural areas are among the pursued priorities. Ensuring better access to housing, education, water, electricity and health are among the outcomes of different projects undertaken in several localities. For the period 2006-2010, the budget allocated to the INDH amounted to 10 billion MAD (INDH, 2005).

D. Education and health

A set of measures for modernization and bringing the Moroccan education system in line with international standards were announced. Also, the decade 2000 to 2010 was proclaimed the Decade of Education and Training. In this sense, the Basic Status of pre-school education was passed in 2000 and left the provision of pre-school education in the hands of private sector, given that the government would focus then on the areas of regulation training and pedagogical innovations. In 2005, the country launched with the help of the World Bank a new Basic Education Reform Support Program, known as PARSEM.

Since the independence of Morocco, life expectancy indicator has jumped from 47 years of age in beginning 1960s to 71 years of age today (72.5 years for females and 68.5 years for males). On average, the indicator of life expectancy at birth in Arab countries has significantly increased from 52.1 years in 1970s to 66.5 years in the first five years of the new century. This average is slightly higher than the average indicator for developing countries (64.9 years) and lower than the one of middle income countries (70.1 years) (World Bank, 2009).

In Morocco, the health system has known a considerable improvement since the independence. The state worked on improving primary health care, training medical and paramedical personnel, and facilitating citizens' access to health services. The current number of health care establishments exceeds 2460 compared to 394 in 1960. The country hosts 120 hospitals with a resident-to-bed ratio of 1 bed for 1000 residents. The doctor-to-resident ratio increased from 1 doctor for 12,120 residents in 1967 to 1 doctor for 1900 residents in 2004 (RDH50, 2006).

E. Promotion of enterprises and use of "Doing Business data"

The effects of the above macroeconomic trends have been addressed also by the firms that have been included in the study. These enterprises are mainly trade oriented. Also, using the variables developed in the "Doing Business" database (World Bank, 2009), the z-score has been computed for Morocco in comparison with the other countries selected. These countries include Greece, Ireland, Poland, Romania, Spain and Portugal as EU countries besides Algeria and Egypt as representatives of the MENA region. The results show that enterprise creation in Morocco has respectively shortcomings and advantages in comparison with the set of countries introduced in this comparison.

Conclusion of the Synthesis

The series of economic and social reforms undertaken in Morocco and as introduced in series of publications and reports, show that major changes are taking place in this economy. Much of the reforms and policies at the economic, political and social levels aim at ensuring the performance of the Moroccan economy while ensuring new standards and practices that are consistent with the agreements established with different partners including the EU. These trends toward higher levels of convergence with the EU are likely to induce superior levels of performance and create new conditions for further growth and development. Clear evidences have been expressed also by some trade oriented enterprises and by the results of the convergence analysis performed on the "Doing Business data".

Detailed report

Outline

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Introduction

During these last fifteen years, Morocco has been undergoing major changes, reforms and transformations that have been shaping globally the economy and society. These reforms have been also related to the acceleration of the openness of the economy and to series of agreements and international arrangements promoted during this era. These agreements include the relationships with the European Union (EU). Within this framework, the attainment of higher levels of convergence to EU and international standards in most of the economic, social and political components is expected.

The present study is a description of the achievements observed in Morocco within the last fifteen years. It is mainly based on existing official reports and documents produced by Moroccan Government, private organizations and non-governmental agencies with other documents of series of international bodies.

After setting the background for this study, overall transformations besides those happening in different sectors are reviewed through the vision of convergence with EU standards.

I. BACKGROUND

1. Convergence Under Moroccan-EU arrangements

The trade relationships between Morocco and the European Union go back to 1969 with the first trade agreement. The relationships evolved into a second agreement in 1976. Yet, starting from 1995 a major evolution was marked by the new agreements related to the Barcelona process which has for the first time established for a cooperation framework based on long term integration and convergence objectives (The Commission of European Community, 2008). The new strategy introduced preconditions for cooperation to be met by the Southern Mediterranean countries such as macroeconomic stability, low external debt, a high degree of openness and liberal regulatory framework

This partnership was a framework for multidimensional cooperation between the EU and 12 countries (Morocco, Algeria, Tunisia, Cyprus, Turkey, Syria, Malta, Jordan, Egypt, Israel, Lebanon and Palestine) covering:

- A political and security dimension aimed at creating an area of peace and stability

- An economic and financial dimension aimed at establishing a Euro-Mediterranean free trade area.
- A social, cultural and human dimension aimed at strengthening human resources and promoting understanding among civil societies in all countries (Europa, 2005).

In 1996, the European Union and the Med12 signed the Mediterranean Agreement, MEDA, a financial tool for launching Euro-Mediterranean co-operation. The objective of this agreement is to pave the way for the free trade area originally expected in 2010 by helping the Southern members of the partnership to reconstruct their businesses so as to increase their competitiveness and adapt with the progressive abolishment of taxes (PV MED, 2005).

In 1996, an association agreement was signed between Morocco and the EU. The agreement established for equitable and reciprocal relationships and introduced principles of democracy and human rights. The association agreement set a number of objectives among which the reinforcement of political dialogue, the establishment of conditions related to the gradual liberalization of the exchange of goods, services, and capital; and the support of integration initiatives of the Southern Mediterranean (European Commission, 2009).

The enlargement of the EU in 2004 has raised new concerns related to the future of the relationship with the neighboring countries and the changing geopolitical situation. The accession of new countries to the EU has also been synonym of the alteration of the trade and economic interdependencies between the EU and its immediate neighbors as the new EU entrants were most likely to fulfill the needs of the EU in terms of labor or goods and thus erode the trade importance and bargaining power of partners such as Southern Mediterranean countries including Morocco (Shaaban, 2003). In order to respond to this challenge, the EU has starting from 2003 initiated a Wider Europe project embodied later on in the European Neighborhood Policy (ENP). The ENP aims at providing a new cooperation framework to each of the Southern Mediterranean countries plus Jordan, the former soviet states of Eastern Europe and the three countries of the Southern Caucasus; which accounts for the post-enlargement situation. In this sense, the cornerstone of the new partnership is the mutual commitment to common values such as democracy, human rights, rule of law, good governance, market economy principles, and sustainable development. Also, the ENP implicitly expresses the ambition of reaching deeper economic and political integration. To reach this end, the major tool designated by the ENP are action plans specific to each partner country which outlines the main areas in which progress and reform is to made. Another feature of the ENP is that it builds on the 1995 Barcelona process by renewing the emphasis on the goal of creating a free trade zone between the EU and Mediterranean-rim nations (European Commission, 2009). The action plan for morocco agreed in 2004 sets the following priorities:

- Pursuing legislative reform and applying international human rights provisions;
- enhanced political dialogue on the CFSP and ESDP and enhanced cooperation on combating terrorism;
- Negotiation of an agreement on liberalizing trade in services;
- The development of a climate conducive to foreign direct investment, growth and sustainable development;
- Cooperation on social policy with the aim of reducing poverty and vulnerability and creating jobs;
- Support for the education and training system, scientific research and information technologies as crucial factors in the country's economic development;
- Effective management of migration flows, including the signing of a readmission agreement with the European Community, and facilitating the movement of persons in accordance with the acquis, particularly by examining the possibilities for relaxing the formalities for certain jointly agreed categories of persons to obtain short-stay visas;
- Development of the transport sector based on safety, security and reinforcement of national and regional infrastructures and their inter-connection with the Trans-European Transport Network (TEN-T);
- Development of the energy sector, including inter-connections and infrastructure under optimal safety, competitiveness and quality conditions; integration of the Moroccan electricity market into the European electricity market, pursuant to the Memorandum of Understanding (Rome, 2 December 2003) on the gradual integration of the electricity markets of the Maghreb countries into the EU's internal electricity market (European Commission, 2005).

Given the satisfactory level of progress reached by Morocco in most of these areas, the EU agreed in October 2008 to grant Morocco an Advanced Status. The Moroccan Advanced Status stands for an unprecedented step in the relations between the EU and its neighboring countries as Morocco is the first country of the Southern Mediterranean to benefit from an Advanced Status. This new partnership aims at establishing a "common economic space" based on the rules of the European Economic Area and a deeper free trade agreement. New areas are addressed for the first time such as intellectual property rights, capital movements and sustainable development. Also, the agreement grants Morocco access to European security agencies and crisis management operations and institutes for regular political summits between the two parties (Statut Avancé d'association UE-Maroc, 2008).

2. Development of Free Trade Agreements by Morocco

Hosting the Marrakech conference in 1994, which marked the finalization of the Uruguay Round and led to the establishment of the World Trade Organization (WTO), is a clear indicator of Morocco's liberal economic orientations and commitment to trade liberalization. In this sense, Morocco sought to draw on its geo-strategic location to establish a series of free trade agreement with selected partners.

The U.S.-Morocco Free Trade Agreement: The agreement was formally signed on June 15, 2004 and entered into force on January 1, 2006. Starting from that time tariffs for more than 95 percent of qualifying consumer and industrial goods were immediately eliminated. The Remaining tariffs are to be eliminated over a nine-year period from the date the Agreement entered into force. Tariffs on virtually all U.S. farm exports to Morocco will be phased-out within fifteen years. The free trade agreement includes bilateral commitments to combat corruption, important new protections for U.S. investors, reinforced protection measures for intellectual property through penalizing piracy and counterfeiting. Additional areas of the agreement include government procurement discipline, transparent customs procedures, and commitments to protect the environment as well as workers' rights (Ministry of Foreign Trade, 2009).

The Progressive Free Trade Agreement between Morocco and the European Free Trade Association (EFTA) (Iceland, Liechtenstein, Norway and Switzerland) was signed in Geneva on June 19, 1997 and became effective on December 1st, 1999. The agreement is asymmetric in favor of Morocco. While the EFTA States have eliminated all duties on Moroccan imports immediately upon the entry into force of the agreement, Morocco is to abolish custom duties gradually over a transition period of 12 years. In addition, the agreement includes a number of trade-related disciplines such as rules of competition, protection of intellectual property, public procurement, state monopolies, state aid, arbitration, and payments and transfers (Ministry of Foreign Trade, 2009).

The Turkey-Morocco Free Trade Agreement was ratified on April 7, 2004 as an attempt to foster bilateral exchange between the two countries. The agreement establishes for the creation of a free trade zone between Morocco and Turkey within a transition phase of 10 years. However, the agreement entails an asymmetrical treatment in favor of the Moroccan industrial goods which benefit from a total exoneration starting from the date of entry into force of the agreement while import duties on Turkish products are to be lifted gradually over a period of 10 years. Concerning agricultural products, and given the sensitivity of the sector, both countries have agreed to carry out an exchange of concessions for only a limited number of products (Ministry of Foreign Trade, 2009).

The Egypt-Morocco Free Trade Agreement was signed in 1998 and came into effect in 1999. Upon the ratification of the agreement, import duties were immediately lifted on the Egyptian list 1 and the Moroccan list 2 of products. The progressive dismantling of tariffs between the two countries is scheduled within a transition phase of 5 years. Thus, products on which import duties are less than 25% will become duty free. Import duties on products currently bearing a rate exceeding 25% will be brought to 25%. On the long term, the agreement calls for the creation of a free trade zone between the two countries within 12 years. Agricultural products however are not covered by the agreement as the question was left for discussion in the future (Ministry of Foreign Trade, 2009).

The Tunisia-Morocco Free Trade Agreement entered into effect in 1999. The agreement establishes for the exemption from equivalent effect custom duties and taxes for products on list 1. It has also introduced the progressive dismantling of equivalent effect customs duties and taxes leading to a 0% rate by 2008. In addition, a unified tax rate of 17.5% is to cover another list of products on Annex 3 (Ministry of Foreign Trade, 2009).

The Jordan-Morocco Free Trade Agreement was signed on June 16, 1998. Upon the ratification of the agreement, import duties were totally lifted on a common list of products. The progressive dismantling of tariffs between the two countries is scheduled within a transition phase of 5 years. Thus, products on which import duties are less than 25% will become duty free. Import duties on products currently bearing a rate exceeding 25% will be brought to 25%. On the long term, the agreement calls for the creation of a free trade zone between the two countries within 12 years. Agricultural products however are not covered by the agreement as the question was left for discussion in the future (Ministry of Foreign Trade, 2009).

The United Arab Emirates-Morocco Free Trade Agreement was signed on June 25, 2001. It aims, on the long term, at the establishment of a free trade zone between the two countries. Upon the ratification of the agreement, equivalent effect custom duties and taxes between the two countries were cut down 10% more than the Arab League exemption rate (Ministry of Foreign Trade, 2009).

The Morocco-Tunisia-Egypt-Jordan Free Trade Area was signed in Agadir on February 2004 and entered into force in 2007. The Agadir agreement establishes for the preferential access of the signatory countries industrial products starting from the date of entry into force and throughout a transition phase of 10 years. The agreement also calls for the dismantling of all non-tariff barriers applicable between the signatory parties. The long-term aim is to create a free trade zone open to other Mediterranean countries by 2012 (Ministry of Foreign Trade, 2009).

3. Key macroeconomic aspects related to convergence

According to the World Bank, the macroeconomic and fiscal conditions of Morocco are solid and sound, which helped the economy resist to the first wave of shocks of the current economic crisis. The Moroccan financial sector has not been affected by the crisis due to its low exposure to foreign financial markets. Nevertheless, over the second half of 2008 and the first quarter of 2009 the real economy has been affected by the second wave of shock. Accordingly, after a steady yearly growth of 4-5% from 2000 to 2007, economic growth was 5.8% in 2008 which is significantly less than the 6.8% projected by the Budget Law 2008. Overall, growth was driven by the agricultural sector (10.8%), construction (9.4%), telecommunications (10.2%), and financial services (17.8%) (World Bank, 2009).

The global crisis impacted most the external position of the country. Accordingly, the balance of payment has shown signs of deterioration throughout 2008. The trade deficit deepened to reach 22.3% of GDP compared to 18.7% in 2007. The current account deficit deteriorated to 5.6% of GDP compared to the quasi-balance achieved in 2007 reflecting decreasing foreign demand, tourism receipt, and worker's remittances. As a consequence, foreign reserves levels have declined for the first time since 2000, nevertheless, a safety net of 6.7 months of imports of goods and non-factor services are still in hand. Overall, these figures are expected to worsen during 2000 as the crisis hits further the real economy (World Bank, 2009).

The Moroccan financial system has remained relatively unaffected by the crisis. The strengths of the sector consist mainly of solid macroeconomic policies, improved banking supervision, a close monitoring of risks. The financial sector is also characterized by the low exposure of foreign debt to market risk as most of the debt is owed to official creditors as well as by sufficient international reserves that exceed external debt. All these factors have contributed to the low risk perception of Morocco in comparison with other emerging markets. In this sense, the IMF Financial Sector Assessment Program stressed the fact that the Moroccan financial system has consolidated its fundamentals and that the remaining challenge is to prepare the ground for further opening (World Bank, 2009).

Another economic challenge facing the country is the souring inflation (3.9%) given a higher imported inflation. Food inflation reached a rate of 6.8% and non-food inflation was 1.5%. Although these rates are relatively low compared to the double-digit inflation rates recorded in other countries in the region. The government subsidy policy has significantly helped controlling inflation levels. Nevertheless, sustaining the subsidy system for food and fuel, while easing social pressures penalizes the budget. Reforms of the Moroccan subsidy system prove challenging as there is a need to better target these subsidies, which is not feasible in the near future (World Bank, 2009).

Unemployment is another challenging aspect of the Moroccan economy. Although, the overall unemployment rate has continued to fall down to 9.6%, unemployment rate for instance, among the 15-24 age cohort in urban areas remains as high as 31.8%. A related challenge is the widening gap between the competencies and skills demanded by the job market and the output of the national education system (World Bank, 2009).

Downside risks to economic growth are rising in the short run. Despite large declines in global oil prices and robust non-agriculture growth, Morocco's economic growth could be constrained by a sharp slowdown in merchandise export growth. The slowdown in export growth will in turn be due to easing demand in industrialized economies. Moreover, tourism and private investments could be affected by the slowdown in world economy. Tourism is an important sector for the country and is one of the largest foreign-exchange earners. Another risk to economic growth will be increased Chinese competition in the textile sector in European markets. Meanwhile, strong dependence on agriculture and deteriorating public finances and thus reducing the heavy dependency of the economy on the volatile agriculture sector will boost economic growth over the medium term. The government plans to make the agriculture sector an engine of economic growth, exports, and poverty reduction. It announced recently that it would earmark more than US$20 billion to upgrade and diversify the farming sector over the next 10 years. Significant declines in global oil prices, continued trade reforms, and conservative monetary policy will help ease budget and inflationary pressures over the short and medium terms (World Bank, 2009).

II. PUBLIC PROCUREMENT

Public procurement is of a strategic importance in the context of an emerging economy such as Morocco. Public procurement is directly related to the investment projects undertaken by the government and thus to development in a given economy. As a matter of fact, recent statistics indicate that public procurement in Morocco accounts for 70% of the activity of construction firms and for 80% of business in engineering firms. Also, 11,614 government contracts were awarded in 2007, up to 90% of which were awarded through open tendering (Beth and Hrubi, 2008). The importance public procurement thus stems from the creation of considerable business opportunities for Moroccan firms. Further, public procurement, by attracting foreign firms as well creates opportunities for foreign expertise and know-how transfer to the country.

Given the financial stakes of the sector, it is highly exposed to corruption risks. As far as Morocco is concerned, Transparency Maroc revealed in 2002 that 60% of the firms participating in a survey on public procurement believed that public procurement practices in the country lacked transparency given the incidence of illegal payments (Transparency Maroc, 2006).

The first legislation on public procurement in Morocco goes back to the 1960s as the Moroccan government promulgated the Decree 209-65 in 1965 setting the General Conditions of Contract (GCC) for the Ministry of public Work and Communications. In the following year the GCC become applicable as well to other government bodies. However, until the late 1990s, the legislations have relatively stagnated as only minor modifications have been brought. The first major attempt to reform the procurement legislation in Morocco was the decree 2-98-482 of 1998 (Beth and Hrubi, 2008).

This decree stood for a more comprehensive legal and regulatory framework establishing the conditions and methods to be to be followed by administrations for procurement of works, goods, and consulting services. The 1998 decree contained also provisions related to management and control. The novelty brought by this decree is clearer definition of the role of each party, an emphasis on transparency, as well as an adaptation to the modernization trend in public administration. For instance, under the 1998 decree, a bidder whose offer has been rejected may contact the contracting authority to inquire about the reasons for rejection and the contracting authority is compelled to provide a justification within 15 days. Other clauses added to guarantee transparency include the fact that the bid evaluation criteria must be included in the bidding documents issued by the client administration; the requirement of public bid opening for all bidding (while the old decree allowed for both public or non public bid opening); and the obligation of administrations to announce the final results of the bid evaluation committee within 24 hours after it has reached a decision (Beth and Hrubi, 2008).

In 2007, a new decree was promulgated on procurement setting the conditions and terms for the tendering phase and new rules of management and control. By issuing this new decree, the legislator sought to address the remaining ambiguities and shortcomings of the 1998 decree. These shortcomings include the absence of procedures for procurement contracts dispute settlement, a limited public notification and disclosure, as well as the lack of clarity in the bid selection criteria. Further, the promulgation of a new decree responded to the need to revise and modernize the public spending management tools.

Finally, the new decree stemmed from the necessity to align the Moroccan legislation with the latest developments in international public procurement standards given the commitment of the country towards institutional partners such as the European Union, the World Bank, and the Free Trade Association). Further, the pressures of civil society and the business community for improved public administration service have played a role in motivating the reform (Beth and Hrubi, 2008).

The spirit of the 2007 decree is overall consistent with the principles currently guiding public procurement internationally. For instance, the stated objectives in the decree include increased transparency, open competition, equal treatment of tenderers, simplified procedures, and enhanced integrity in the public administration. These are all principles entailed for instance in the WTO Agreement on Public Procurement as well as in the EU Public Procurement Directives. Accordingly, the 2007 decree brought about a series of advances in comparison with prior legislation. Measures of transparency have been reinforced to include now a wider publication of tender notices, the automatic notification of contract suppliers whose bids have been rejected regarding the reason of rejection and the systematic conservation of awarded contracts evidence and documents for at least five years. Several anti-corruption measures have been introduced with respect to both contracting authorities and tenderers. Additional advances cover at-risk practices in case of resort to sub-contractors and recommendations for an enhanced collaboration with the private sector (Beth and Hrubi, 2008).

The 2007 legislation constitutes a first step towards the introduction of an appeals mechanism. Thus, in case a tenderer challenges and disproves the selection outcome of the contracting authority, the new law allows the tenderer to first seek explanations from the contracting authority. If the response received from the contracting authority is not deemed satisfactory, the tenderer can report the matter to the minister concerned. A final step is to call upon the opinion of the Procurement Review Board.

One more aim of the reform is to operate a shift from control of compliance to performance-based controls. This stems from the growing awareness that performance-based controls are the proper way to improve efficiency as they emphasize the evaluation of the process outcome and the quality assessment of the service provided. As a matter of fact, the failure of procedure compliance controls is widely recognized despite the constant efforts of institutions such as the General Treasury, the Inspectorate general of

Finance, and the Court of Accounts Office. These controls turned out to produce insufficient evidence for judges in cases of corruption prosecutions. The 2007 decree is an attempt to orient current practices and mindsets towards a performance-based control of public spending (Beth and Hrubi, 2008).

III. COMPETITION POLICY

For an emerging market economy such as Morocco, setting the proper legislation organizing competition and limiting monopoly practices constitutes a major step towards market liberalization. Moreover, for an emerging economy, high added value and relatively recent industries such as telecommunications would fail to bring about the expected social and economic benefit in the absence of a proper competition policy. As far as Morocco is concerned, the introduction of a competition law was in 2000 sets a major turning point relative to the prior management of markets and pricing. The 2000 competition law has in effect annulled the law of 1971 which established for the government control of prices and conditions of sales. In other words, freedom of pricing has become the general rule while government controls have become the exception. Priority is now given to the functioning of markets following the laws of demand and supply upon which a more efficient pricing is expected. Further, the new competition policy was at the center of Morocco's commitments towards the EU as a first trade partner as well as towards the WTO (Global Competition Forum, 2009). Overall, the main objectives of the new competition policy are the definition of the laws governing the freedom of the pricing within a free-market economy context, the establishment of a framework for free competition, the stimulation of the relevant level economic efficiency compatible with consumer protection, the enforcement of transparency and loyalty rules in business dealings (Baina, 2001).

In practice, the new Moroccan competition policy establishes the principle of free pricing and price determination through the free play of competition, supply, and demand. Nevertheless, two exceptions to this principle are introduced, namely, the government keeps its right to intervene in pricing either due to structural reasons such as monopoly or lack of competition; or for less long term reasons such as a sharp drop in supply subsequent to a shortage in raw material and basic goods, or to a disaster affecting the population (drought, earthquake...) (Baina, 2001).

The principles of free market access and fair competition are also established by the new law which identifies and prohibits anti-competitive practices. These include collusive pricing or market allocation, the abuse of an operator's or group of operators' dominant market position, and instances of an economic partner's dependency. Further, the new law introduces control mechanisms related to economic concentrations. Accordingly, merger and acquisition activities likely to lead to or reinforce dominant positions are closely monitored given their detrimental effect on competition. This mechanism is also designed in such a way that a balance is kept between preventing the negative effects of concentration and ensuring that the efficient consolidation of economic operators can take place when socially and economically desirable conditional on leaving sufficient room for competition afterwards. In fact, the new competition law does not establish that monopolies are illegal. What is defined as illegal is the abuse of the power that a monopoly may confer (Global Competition Forum, 2009).

The new Moroccan competition law is characterized as well by a strong emphasis on transparency and fairness in trade relations between economic operators. As a matter of fact, transparency rules are defined and a list of prohibited practices deemed restrictive to fair trade relations is established. It includes:

- Practices incompatible with consumer information and protection such as misleading labeling of prices or invoicing, refusal to sell, contingent sales, or premium sales.
- Practices restrictive to fair dealing between professional such as invoicing rules, publication of price lists and conditions of sale, fixed minimum resale prices, discriminatory conditions of sale, refusal to sell, and conditional sales.
- Practices related to warehousing and illegal storage.
- Practices involving the artificial limitation or control of production, markets, investment or technical progress (Global Competition Forum, 2009).

The 2000 competition law sets a framework for the investigation procedures related to the latter practices with goal of ensuring their efficient and impartial conduct. The newly defined investigation procedures aim also at the protection of the harmed consumers and companies from abusive or arbitrary behavior on the part of investigators. Upon conclusive investigations penalties are determined by the courts in accordance with the scope of the offence and the damage caused to the market or operators and the warranting circumstances (Global Competition Forum, 2009).

Finally, a change at the level of the institutions responsible for ensuring the application of the new law is introduced namely the creation of the Competition Council. It is made up of experts and has a consultative function in the area of anti-competitive practices (cartels, abuse of dominant positions, economic dependence), and mergers. The Competition Council is entrusted the mission of reconciling the interests of operators. It examines anti-competition allegations, provides technical advice, and makes proposals to the Prime Minister regarding the actions to be taken (Baina, 2001).

IV. INTELLECTUAL PROPERTY

Intellectual Property (IP) refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce. It is any form of original creation from music to machinery that can be bought or sold and can be legally owned. Legislations have been put in place to protect these IP rights. Legislations related to the enforcement of IP provide owners with period of time during which they can control the transfer and the use of their creations. In general, according to the World Intellectual Property Organization (WIPO), laws protecting IP are aimed to serve two mail goals. First, they represent the statutory expression of the moral and economic rights of creators over their creations. Second, they promote creativity by organizing the dissemination through fair trading which contributes on the long term to economic and social development (WIPO, 2009).

In Morocco, IP is primarily protected through national legislations. The country is also a member of several international bodies and is signatory of related treaties. Two agencies are directly concerned with the organization of the IP landscape in Morocco, namely the Moroccan Agency for Industrial and Commercial Property (Office Marocain de la Propriété Industrielle et Commerciale - OMPIC) and the Moroccan Office for Authors' Rights (Bureau Marocain du Droit d'Auteur - BMDA).

The OMPIC is the public entity responsible for the issuance and protection of Industrial Property rights, it was created by decree in 1999. It holds the national registers of three industrial property titles: trademarks, patents, industrial designs or models. The office operates under the supervision of the Ministry of Commerce and Industry and fulfils two major functions. First, it is charged of registering and keeping track of the commercial names of companies having active in Morocco. Second, it is in charge of registering industrial property titles and disseminating the related information by regularly publishing the official catalogs of the trademarks, patents and designs or industrial models (OMPIC, 2009).

Industrial Property Rights are protected by the 17-97 law since 1997. The Law stipulates the protection of industrial property rights which include patents, designs or industrial models, and trademarks. This subject law was amended and supplemented by Law No.31-05 in 2005. The amendment has established for the protection of geographical indication. Other categories of protected IP include integrated circuits and Internet domain names (OMPIC, 2009).

The BMDA is the public entity responsible for the issuance and protection of Copyright and related rights. It operates under the supervision of the Ministry of Communications. The functions of the BMDA include the issuance of registration statements identifying rights' holders, of permits for the exploitation and use of protected works, and of permits for the use of expressions of folklore when they have a commercial purpose or outside the traditional. The BMDA is entitled to proceed to the Seizure of phonograms and video recordings and other recording media used, and any equipment used for illegal copying. It coordinated as well with the Customs for fighting the entry of goods suspected to be counterfeit or pirated. Last but not least, the BMDA concludes conventions with foreign similar entities to protect the rights of Moroccan authors abroad and manages equally the interests of foreign authors in the framework of these conventions. It is important to note that since its creation, the BMDA has led a number of awareness campaigns for promoting a wide understanding of the role of intellectual property rights (BMDA, 2009).

Morocco's first Law on the Protection of Literary and Artistic Works was promulgated on June 23, 1916 succeeded by those of November 9, 1926 and February 16, 1927. These laws were subsequently repealed and replaced by that of July 29, 1970. Yet, the latest legislation on copyrights law is Law No. 2-00 promulgated on February 15, 2000. Amendments to this law have been made giving birth to Law No 34-05 enacted by Dahir No. 1-05-192 of February 14, 2006. The major objectives of the amendment relate to the improvement of the national system of protection. In this sense, two major priorities are emphasised. First, strengthening and modernization of the protection and rights system of creators and works. The second priority is the strengthening the role and prerogatives of the BMDA. Additional amendments address the issues of the exploitation of works in the digital age. New provisions establish for the monitoring of the use and exploitation of copyright and related rights in the Internet. These include a system of limited liability of service providers encouraging them to cooperate with the copyright holders in controlling access and exploitation in an unlawful manner (BMDA, 2009).

V. LABOR LAW

In Morocco, several aspects of labor rights are embedded in the Constitution. These include the freedom to choose work, equality in gaining employment, the freedom of association, and the right to strike. The new labor law voted in 2003 and effective since June 2004 was introduced as a comprehensive legal framework organizing labor in Morocco. It has replaced the dispersed statutes, decrees, regulations, and court rulings that used to regulate labor, in some cases dating from the 1920s. The new law entails also a commitment to adopt and ratify International Labor Organization (ILO) Convention No. 87 on Freedom of Association and Protection of the Right to Organize and to consider adoption and ratification of ILO Convention No. 151 on Labor Relations in Public Service (US Department of Labor, 2004).

The 2003 Labor Code establishes for workers' right to freely join and to withdraw from trade unions. It also grants civil servants the right to form unions. Two types of unions are described and allowed under the new code. One type is trade unions established by workers involved in a specific profession or occupation. The second type is the unions established by workers in professions or occupations that are similar or connected to each other. Further, these trade unions have the right to form federations and affiliate with international organizations of workers. They are also allowed to receive in-kind or financial aid from the state to support their functioning (Moroccan Ministry of Labor, 2009).

All establishments with a minimum of 10 permanent workers must hold elections for labor representatives entitled to transfer complaints concerning working conditions to the employer or to the labor inspector. Actions by the employer obstructing the election for the labor representatives or infringements on the freedom to elect the labor representatives are punishable by the new law. In order to form a trade union, workers are to draft and prepare the union's articles of association and the list of appointed representatives and officials. These are then submitted to the local administrative authority and the provincial labor commissioner (Moroccan Ministry of Labor, 2009).

Concerning the right to strike, it is strengthened by various articles of the new law. For instance, attempts by an employer to obstruct the organization of a strike through hiring substitute workers or discriminating against worker who take part in the strike are prohibited and punishable. Nevertheless, the new law imposes a number of restrictions on strike activities as it provides for penal sanctions against individuals who resort to coercive actions to induce stoppage of work (US Department of Labor, 2004).

In addition, the new labor law prohibits both employers and worker organizations from interfering in each other's affairs such as issues of establishment or management. This interference can take the form of employer-controlled unions or the provision of financial or other support to unions by employers. The new law grants courts the authority to get back unfairly dismissed workers on the basis of their activities within the unions to their job position and impose damages payments on the employer (US Department of Labor, 2004).

The new labor code establishes for the right to bargain collectively with employers or employer associations with regard to issues such as conditions of employment, professional qualification levels, work conditions, wage components, occupational safety and health protections, provisions for the dismissal of workers, procedures to settle collective labor disputes, training for workers, compensations, and union facilities. Yet, this right is exclusively granted to the most representative labor organization. Collective bargaining may be conducted at the enterprise, sectoral, or national levels (US Department of Labor, 2004).

Regarding the minimum wage for employment, it is raised by the new labor law from the age of 12 to 15 years. This minimum age restriction not only applies to the industrial, commercial, and agricultural sectors, it extends also to children working as apprentices or in family enterprises. In addition, children under the age of 16 are barred from working more than 10 hours per day while children under the age of 18 are not permitted to work in risky occupations that include work involving exposure to toxic materials or manipulation of heavy machinery. Further, they also are prohibited from working during night shifts (Moroccan Ministry of Labor, 2009).

In Morocco, the minimum wage was established since 1936 and later on in the 1970s, a dual minimum wage system was adopted setting one minimum wage for industry, trade, and other professions and a distinct one for the agricultural sector. It is traditionally adjusted by royal decree in coordination between the Minister of Finance and the Minister of Labor based on a cost of living index and balancing between the financial situation of the economic agents and the demands of the employees. In 2003, it was decided that the minimum wage is to be reviewed every three years. The most representative trade unions and employers' associations should be consulted in the process (US Department of Labor, 2004).

With respect to the standard legal workweek, it has been reduced for non-agricultural activities from 48 hours to 44 hours, with the daily work period not to exceed 10 hours subject to exceptions. In the agricultural sector as well the annual work period has been decreased from 2,700 hours to 2,496 hours. One day of rest per week should be granted, yet this rule might be suspended in cases of unexpected increase in the volume of work or emergency situations. Overtime is permitted in cases of an exceptionally high volume of work or if the establishment is performing tasks considered in the national interest. For overtime hours worked in non-agricultural activities, the law provides for a 25% hourly wage increase for extra hours worked between the hours of 6:00 a.m. and 9:00 p.m., a 50% increase for hours worked between 9:00 p.m. and 6:00 a.m., and a 50% to 100% increase for overtime hours worked during a rest day. Failure to abide by these rates is punishable under the new law (Moroccan Ministry of Labor, 2009).

Finally, the area of occupational safety and health has drawn the interest of the legislator and is well emphasized in the new labor law. As a matter of fact, a list of occupational safety and health requirements that the work place should provide is described in the new law. It includes, fire protection devices, ventilation, noise reduction, drinking water, and bathroom facilities. Further, the employer must make sure that employees are well aware of the warnings on machinery hazards and the applicable precautions, and that maximum safety standards are met by the machinery (US Department of Labor, 2004).

VI. INVESTMENT PROMOTION

Morocco has adopted the Investment Charter in1995 as a national initiative to enhance the country's attractiveness to foreign investments. The charter provides for a variety of incentives namely a five year exemption from corporate, general income tax, and VAT after which a 50% reduction in these taxes is applied; full currency convertibility; and free transfer of capital and gain. Other tax and customs advantages are offered to companies operating in one of the two types of free zones, Industrial Parks and Tangiers Free Trade Zone.

In the frame of encouraging investment in the country, the regional centers for investments were created in 2002 in order to lower the burden of administrative procedures that were representing obstacles to investors. The objectives of the creation of this institution are to assist business creation from one side and help investors from the other side (Moroccan Ministry of Economy and Finance, 2009). Parallel to that creation, the Hassan II fund for economic and social development supports the development of industrial sectors with strong growth potential. The launch of the Moroccan corporate upgrading fund aims at improving the overall business environment by helping companies in their effort to modernize.

The Moroccan government has built its strategic reform related to investment around three axes: a more conducive institutional and legal framework for international investors, a regional strategy for FDI promotion, and a sectoral strategy based on outsourcing and delocalization (Ministry of Economy and Finance, 2009).

The building blocs of this reform is concentrating on right to invest as well as the right of investors to transfer revenues generated from investments such as profits or dividends along with the earnings made from sale or liquidation without any limitations. Those rights are granted to investors without any prior authorization. Apart from agriculture, all sectors are allowed to receive foreign investments. Arrangement under the form of long term leases is granted to foreign investors to overcome the prohibition related to the acquisition of arable lands. Investment in sectors such as money market, off shoring and hydrocarbons are subject to specific regulations (Ministry of Economy and Finance, 2009).

VII. TRADE POLICY

Throughout the last decade, Morocco has continued to consolidate its external position with respect to its relations with its trade partners. Although the current account of the balance of payments displayed a slight deficit in 2007, it has displayed a constant surplus during 6 years before. Such performance is mainly a result of a healthy balance of services which participated in counterbalancing the decline in the balance of goods. Imports grew at an average annual rate of 13.3% between 2002 and 2007 as a result of sustained tariff reductions, the increase in the energy and cereals prices, the enhanced levels of capital goods imports, and to the growing demand for consumer goods reflecting an improved purchasing power in the country. Concerning goods exports, a considerable annual growth of 7.5% was reached by 2007 compared to 2002. Morocco exports mainly textiles, chemical and parachemical products, and agricultural and Agri-food products. As far as services are concerned, their share in the GDP progressed considerably from 4.8% in 2002 to 9% in 2007. Services exports grew by 13.9% per year since 2002 reaching 46% of total exports in 2007. Such growth is mainly related to the development in the telecommunications and the off-shoring sectors. Last but nit least, The openness rate which is the ratio between the overall value of foreign trade in goods and services and the GDP, reached 87 % in 2007 representing an increase of 22% since 2002 (WTO Kingdom of Morocco Secretariat, 2009).

In order to fulfil its commitments with the WTO, Morocco has undertaken the task of reducing the gap between the Most Favoured Nation (MFN) tariff and preferential tariffs to keep up with its trade liberalization efforts. Accordingly, Morocco sought to reduce the maximum tariff to 25% by 2012 from the 40% rate applied in 2008. The first phase of the reform entered into effect in January 2009. Its implementation will be consistent with the following schedule:

MFN tariffs in force at 1 January 2009

2002	2007	2009	2012
2.5%	2.5%	2.5%	2.5%
10%	10%	7.5%	2.5%
17.5%	17.5%	10%	2.5%
25%	25%	20%	10%
32.5%	32.5%	27.5%	17.5%

	40%	40%	35%	25%
	50%	45%	35%	25%

Source: WTO, Kingdom of Morocco Secretariat

Prior to 2002, Morocco applied 42 different rates of tariffs. Since 2002, the number of rates applicable to non-agricultural products has been lowered from 13 to 6, in addition to the zero rate. In 2009, the tariff on petroleum products was brought down to 2.5% in the context of the tariff reductions included in within the framework of the privatization of refineries. Agricultural products are not covered by the new tariff reform schedule. Agricultural subject to rates of up to 304% as well as to variable rates.

Overall, the average MFN customs duties is 20.2 per cent representing a decrease of 13.2% compared to 2002. Further, agriculture remains the most highly protected sector (with an average tariff of 29.0%), followed by manufacturing (19.9%) and mining (9.1%) (WTO Kingdom of Morocco Secretariat, 2009).

According to Dahir No. 1-91-261, restrictions on imports of goods or services may be imposed in order to “safeguard public morals, public safety and order, human health or to protect fauna and flora, the national historical, archaeological and artistic heritage or to maintain the country's external financial position”. These imports may be subject to quality control or to quantitative restrictions. In both cases, an import license for these products should be granted by the Ministry of Commerce or by the entity directly concerned. In addition, anti-dumping duties may be imposed in specific cases where imports might cause material harm to an established domestic industry or obstruct its creation. Other countervailing duties might be imposed on imported products benefiting from a premium or subsidy for production or export in their country of origin (WTO, 2009)

The recent Moroccan policy concerning exports promotion consists mainly of providing a number of incentives to export-oriented companies. For instance, fiscal incentives are provided either under the Investment Charter or under the free-export zones regime. Exchange facilities such as accounts in convertible DH or in foreign currency and export insurance constitute other incentive measures.

In order for companies to be eligible for the free-export zones regime status, they must export the majority of their production. Services enterprises working with free zone enterprises are also eligible for this status. Under the free-export zones regime, foreign exchange operations for transactions abroad by these companies are totally free. Also, goods entering or leaving the free zones are exempt from all duties and taxes on imports, exports, production, movement or consumption. In addition, Morocco has various customs regimes that allow among other things for the import with the suspension of duties and taxes. They also promote the storage, processing, use and movement of goods (WTO, 2009).

Title	Benefits	Beneficiaries
In-bond or storage warehouse	Goods are placed for a fixed period in a warehouse controlled by the ADII.	Natural or legal persons engaged in storing or warehousing goods on behalf of third parties (normal private warehouse); beneficiaries of an authorization to open a warehouse (special private warehouse); city or chambers of commerce (public warehouse).
Temporary admission for inward processing (ATPA)	Suspension of duties and taxes on goods imported in order to be processed, worked or for further treatment and certain goods, listed in an order issued by the Minister responsible for finance, which are not identified in the compensating products but allow them to be obtained even though they totally or partially disappear when used in the manufacturing process.	Enterprises possessing or having available the equipment needed for the processing envisaged.
In-bond processing	Suspension of duties and taxes on goods imported for the purpose of undergoing operations that modify their type or state with a view to putting on sale the products resulting from these operations, called processed products. The latter must be eligible for total or partial exemption from import duties and taxes or a reduced rate of taxation in comparison with the goods to be utilized.	Persons possessing or having available the equipment needed for the processing envisaged.
Temporary export for outward processing	Provisional export, with suspension of duties and taxes, prohibitions or other restrictions on the exit of products or goods of Moroccan origin, goods which entered the country after payment of import duties and taxes or were imported under the temporary admission for inward processing regime for the purpose of being worked or processed abroad before being reimported.	All companies under Moroccan law.
Temporary admission	Import (for a period of six months to two years, unless otherwise provided), with suspension of duties and taxes, of goods and various products (exportable in the state in which they were imported) such as: equipment that remains foreign property to be used to carry out works for a limited period of time or to be used occasionally for industrial purposes; films or cinematographic recordings; packaging, containers and their accessories; samples and models; goods to be presented or used for trade or other events; articles for tests and experiments; professional equipment and animals; frames and containers; commercial vehicles used for TIR.	Industrial enterprises; enterprises carrying out major works (dams, etc.); organizers of fairs and exhibitions; exporters of packaging.
Temporary export	Temporary export of goods (i.e. certain equipment, packaging, products and animals to be used or exhibited abroad) with suspension of duties and taxes with a view to their use abroad.	Persons in possession of the goods presented for export.
Free industrial	Suspension of duties and taxes on the import of materials,	Enterprises which intend to invest

Title	Benefits	Beneficiaries
warehouse	equipment, parts and spare parts, and goods to be used with a view to the export of the compensating products obtained.	either in a new creation or an expansion for a minimum amount of DH 50 million.
Transit	Suspension of duties and taxes, prohibitions or other restrictions normally applicable.	All transport companies and operators.

Source:Ministry of Finance and Privatization, ADII, *La douane vous propose des solutions diversifiées* (Customs proposes several solutions). Viewed at: http://www.douane.gov.ma/brochures/NEW%20edition/NEW%20 PROCPECTUS.pdf; and Ministry of Finance and Privatization (2006), *Les régimes économiques en douane* (Customs regimes), January. Viewed at: http://www.douane.gov.ma/brochures/NEW%20edition/B2%20Fr.pdf.

The "Société marocaine d'assurance à l'exportation" - SMAEX (Moroccan Export Insurance Company), is the only company specialized in export insurance in the country. The agri-food sector accounts for 40% of its turnover, followed by the textile industry and pharmaceuticals. The SMAEX offers two types of export insurance, namely, market credit insurance and public export insurance. The market credit insurance tool is managed by the SMAEX on behalf of the State. It covers 90% of the cost of the credit insured against risk of non-payment, owing either to an extended failure to pay or the insolvency of the foreign client. The public export insurance provides a guarantee against political risks, disasters and non-transfer, in addition to special commercial risks (for companies which export capital goods, carry out public works, or supply services lasting over one year).

Maroc Export (Moroccan Export Promotion Centre) is a government entity under the supervision of the Ministry of Foreign Trade that is responsible for promoting and developing Moroccan exports of industrial, agriculture and agro-industrial products, and services. Each year, it implements a programme aimed at the promotion of Morocco's exports abroad. This goes through supporting and promoting Moroccan companies that export or have an export potential. Maroc Export conducts market studies and surveys, tests products on foreign markets, disseminates economic and trade information on these markets, and organizes relevant training programmes. It also organizes Morocco's participation in international events such as industry fairs or meetings between Moroccan businessmen and foreign partners (WTO, 2009)

VIII. INFRASTRUCTURE

The Tangiers Med port is a project aimed at positioning Morocco as a competitive transport, trade, and industrial platform thanks to its strategic location at the crossroads of East-West and North-South maritime routes. The first container terminal of Tangiers Med port is operational since July 2007. The Tangiers Med port is intended to suit a variety of purposes as its modern facilities include a container terminal of a capacity of over 3 millions containers, a passengers' terminal of a capacity of 7 millions passengers, a hydrocarbons terminal, a general cargo terminal dedicated to grain and cereal shipping, and a car carrier exclusive to car shipping. The extension of the port is under construction and is expected to be operational by 2014. The new extension is planned to have a capacity of 5 millions containers which implies that by 2014 Tangiers Med port will become one of the largest ports in the region with an overall capacity of 8 millions containers. The total investment for the Tangiers Med I and II is estimated to be 3 billions Euros (Tangiers Med Special Agency, 2007).

The Tangiers Med port is not merely is maritime shipping platform, it is a cornerstone of a more comprehensive economic development strategy for the Northern part of the country. Three surrounding processing free zone constitute the second cornerstone of the project. The idea is to benefit from the proximity with the port and the business opportunities it is likely to create. The closest processing zone is the logistics free zone. It is adjacent to the port with a total surface area of 130 ha and will specialize in logistical activities and post-transformation processing. It includes pre-built light industrial and warehouses units and ready to use offices. Farther, the industrial free zone, which encompasses the Tangiers Free Zone already in operation since 2001, is dedicated to industrial export-oriented activities. In addition to the 450 ha of Tangiers Free Zone, Melloussa Free Zone, less than 25 Km from the port, will provide an additional industrial infrastructure of 600 ha. Finally, some 200 ha are allocated for a Commercial Free Zone near Fnideq. The commercial zone is dedicated to business-to-business activities. It will host wholesale and service enterprises, and duty free malls for transiting travelers (Tangiers Med Special Agency, 2007).

In order to guarantee the that port and the free zones (the Special Development Zone) are efficiently connected to the rest of Morocco, parallel investments have been carried out in high quality transport infrastructure. This is mainly, a 61 km new segment of the highway connecting the Northern Highway (Tangiers-Casablanca) with the Special Development

Zone, an expressway connecting the port to the city of Fnideq, and a 45 km railway connecting the Special Development Zone with the national rail network. Other connections are planned later on such as a 35 Km highway between Tangiers and Assillah and an express way between Tangiers and Tetouan (Tanger Med Special Agency, 2007).

The Mediterranean bypass is another project intended to reinforce economic development prospects in the Northern region of Morocco. The objective of the Mediterranean bypass is to link the cities of Tangiers and Saïdia reducing the current trip duration of 11 hours to 7 hours and improving by the same token the security conditions of users. The new bypass will consist of 8 sections. Although a number of sections are already operational, the bypass will be totally completed and open to traffic by 2012. For the period 2008-2012, a budget of 2.4 billion MAD was allocated for completing the Mediterranean bypass (Ministry of Transport and Public Works, 2009).

Starting from the late 1980s, the Moroccan government has initiated the elaboration of a highway strategy to cover the growing needs of the country. The strategy consisted of building a highway network of 1500 Km by 2010 distributed as follows:

- A Northern axis linking Casablanca, Rabat, and Tangiers.
- A Center-East axis linking Rabat, Fez, and Oujda.
- A North-South axis linking Casablanca, Settat, Marrakech, and Agadir.
- A Casablanca – El Jadida – Jorf Lasfar link which serves the development of the emerging economic pole formed by these cities

A complementary strategy was put in place for 380 Km additional highways for the period 2008-2015. It aims at connecting Beni-Mellal and Safi with the rest of the highway network and the increase the capacity of the Casablanca-Rabat axis (Ministry of Equipment and Transport, 2009)

Concerning rural roads, the government forecasted an investment outlay of 2.2 billion euros to upgrade road infrastructure in the framework of the second national programme to build rural roads (PNRR-2). PNRR-2, is a nation-wide initiative which aims at connecting some three million people isolated in rural areas to the national road network. The program targets the construction of 15,000 Km of roads between 2005 and 2015 at an average rate of 2000 Km per year with the objective of upgrading the rate of rural population access to the road network from 54% in 2005 to 80% in 2015. A first National Program of Rural Roads (PNRR-1) was launched by the Moroccan government in 1995 and was fully achieved by 2005. The PNRR-1 consisted of the construction or the rebuilding of 11,000 of rural roads by 2005. The two programs are viewed as a priority for the development of the country given the economic opportunities and the standards of living improvements it will bring about in the rural areas (Ministry of Equipment and Transport, 2009).

Issues of urbanization and housing are among the priorities of the Moroccan government. As a matter of fact, two new cities close to Marrakech (Tamansourt) and Rabat-Sale-Temara (Tamesna) were created. These new cities are the result of a partnership between the public and the private sectors as the government committed to carrying out the necessary urban studies and review the status of the real estate while the private firms carried out the construction. A parallel urbanization plan is the Bouregreg alley project of a total cost of 10 billion MAD. The project consists of the building of two marinas, esplanades, bridges, an artificial lake, new urban spaces, a tramway network, and cultural centres (Medibtikar, 2007).

The housing deficit is an issue which was also addressed. The national strategy consists of doubling annual production of housing in order to reduce a deficit estimated at 900,000 units by 2007 and 570,000 by 2012. Thus, the target is an annual output of 100,000 low cost housing units. To this end, the private sector was given a number of incentives to take part in the strategy as for instance, a policy of tax exemption and tax breaks was adopted in favour of land promoters who commit to building at least 2500 homes over the next five years. In addition, the “cities without shanty towns” program was launched in 2004 with goal of eradicating shantytowns by providing better housing solutions to the targeted population. The completion of the program is expected for 2010, an investment of 21 billion MAD was allocated, and 1000 shantytowns are covered in 83 cities (Medibtikar, 2007).

IX. SERVICES SECTOR

1. Financial sector

Staring 1999, the financial sector knew the modernization of its activity. This modernization was detected at the level of laws governing the credit institutions, the restructuring of public financial institutions, the management of capital and currency exchange markets and continuing reforms at the level of the insurance sector as well as the retirement plans.
The modernization of laws dealing with the credit institutions has been achieved throughout the establishment of the role that the central bank needs to play in term of monetary policy maker, reinforcing the banking law and the law dealing with ending any activity related to money laundering (Ministry of Economy and Finance, 2009).

Given the potential for development and positioning of public financial institutions in the domestic financial sector in order to sustain social and economic development, the authorities have set up plans in order to have specific restructuring for those institutions. The aim of this structuring is to offer weak public financial institutions the necessary support in order to allow them to play the role that was initially assigned to them in their support to social and economic development (Ministry of Economy and Finance, 2009).

The modernization of the stock market has continued with the adoption of several new or amended laws. This law relative to the stock market has been revised three times. The first revision aimed at encouraging the admission of new categories of companies on the stock exchange. Those new firms accessing the stock market are those managing public service as well as innovative companies with high growth potential. The second revision aimed at strengthening the power of the CDVM, the national institution in charge of the control of the stock market. The last revision facilitated the access of companies listed on foreign financial markets which would allow external capital raise enhancing those firms' reputation at the international level (Ministry of Economy and Finance, 2009).

In the context of liberalization of exchange regulations, several measures have been taken by the authorities. These measures have been taken in order to satisfy an increasing demand from Moroccan citizens. Among other things, these measures include the increase in staffing for travel for medical treatment abroad, the redefinition of the regulatory framework governing tuition and enlargement of the delegations related to studying abroad given to banks; Similarly, several liberalization measures on imports were adopted which enables banks to execute, on behalf of importers, transfers related to a number of operations previously subject to the prior authorization of the exchange agency (Ministry of Economy and Finance, 2009).

Modernizing the legal framework of the insurance sector was executed thanks to the publication and completion of decrees implementing the law dealing with insurance code, by amending certain provisions of the code to adapt to the international standards as a consequence of the free trade agreement signed with the United States and, by beginning the process of disengagement of the State regarding and the adoption of new accounting plans for the insurance sector in the country.

Recognizing the importance of the retirement system in Morocco, the Government adopted an action plan in order to reform that sector. It includes a set of urgent measures to remedy to the difficulties that pension plans face in the short term as well as the commitment of a reflection on a retirement system to ensure its sustainability over the long term (Ministry of Economy and Finance, 2009).

2. ICTs and advanced technologies

Morocco's strategy for upgrading its Information and Communication Technologies (ICTs) sector is regarded as a groundbreaking example in the region. Starting from the mid 1990s, Morocco has seriously undertaken the task of liberalizing the telecommunications sector based on a mixture of domestic policy measures and foreign investment which led to impressive results. In June 1997, a telecom sector law entered into force establishing for private participation and competition. It has also defined licensing principles and resulted in the creation of an independent regulator being the National Telecommunication Regulatory Agency (ANRT). The 1997 law has also allowed for the privatization of the State-owned telecom operator. In August 1999, a second mobile phone license was awarded to a consortium led by Telefonica of Spain and Portugal Telecom following a transparent and competitive tender. Within only two years after the issuance of the second license, there were more than 5 million mobile phone users in Morocco. In December 2001, 35% the State-Owned operator Maroc Telecom was privatized. The years 2004 and 2007 witnessed further efforts of consolidation as the legislative framework was modified and reinforced. New prerogatives were granted to ANRT. These include the right to ensure free and fair competition as stipulated by the Moroccan competition policy and the right to manage “.ma” domain name and electronic certifications. Further, the sanctioning powers of the ANRT have been extended to include the non-observance of the obligation to provide information. The ANRT has as well the right to impose monetary sanctions in accordance with the gravity of the breach. Overall, the evolution and the positive prospects of the telecom sector in Morocco reflect the benefits of well-sequenced reforms, a credible regulatory framework, and a transparent tender process (ANRT, n.d.).

The telecom sector has not been the sole priority of the Moroccan government. Rather, it is part of a more inclusive strategy to prevent the widening of the digital divide between Morocco and the developed world. In this sense, the ANRT has initiated a series of measures to ensure equitable access to ICTs in the country. In this regard, a policy on universal service obligations was implemented starting from 2004. Accordingly, the scope of the universal service has been widened and redefined as covering a telecommunication service and not simply a telephone service. The new law thus introduced a provision for the Internet and other value-added services (ANRT, n.d.).

To overcome the obstacles delaying the development of Internet in Morocco, an action plan was developed by the ANRT (national agency for regulating telecommunications) in 2005. This action plan, revolving around three themes (infrastructure and access, content and communication), identifies the actions that can be undertaken by key actors.

Concerning infrastructure and access, the action plan structured around four guidelines, namely the development of community access to the Internet, the increase of the rate of computer equipment, the development of access to telecommunications and management of the name of domain “.ma”.

In terms of content, high expectations are expressed in terms of on-line administration, e-commerce, but also in term of access to local information. Thus, the plan includes the development of suitable content for businesses and individuals, the establishment of trust on the Internet, encouraging the development of electronic commerce and widespread use of ICT in public schools (Portail des Lauréats de L’EST Agadir, 2009)

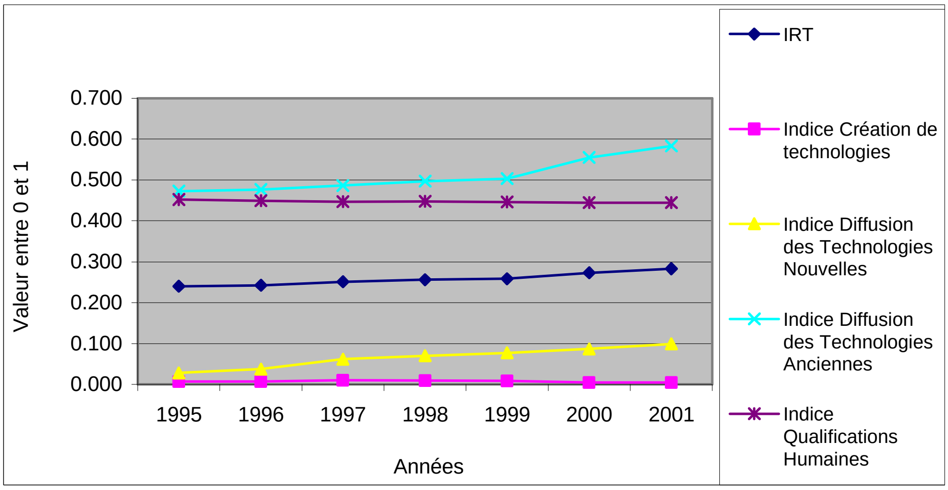
3. Access to Knowledge Economy

The aggregate index of technological achievement (ITA) is composed of a number of variables related to technology creation, the diffusion of recent innovation, the diffusion of old innovation and human resources skills. Technology creation is measured through the number of patents granted per capita (source: WIPO) and through the levels of licensing revenues and royalties (source: World Bank). The diffusion of recent innovation is estimated using the number of Internet hosts per capita as well as using the share of advanced or standard technology products exports relative to total exports (source: The United Nations Statistics Division). The diffusion of old innovation is represented by the number of telephones per capita (source: International Union of Telecommunications) and the electricity consumption per capita (source: World Bank). Human resources skills are based on average schooling (source Barro & Lee) and on the level of university education in sciences, mathematics, and engineering (source: UNESCO).

The calculated data show that the ITA for Morocco evolved from 0.240 en 1995 and 0.283 in 2001 with a median of 0.258 which places the country in the "dynamic adopters category".

The graph below displays an upward trend of the ITA between 1995 and 2001 yet evolving at a slow rate. Nevertheless, the ITA values remain generally low mainly due to the stagnation of both the index of technology creation and the index of recent innovation diffusion.

Figure 20 : IRT Maroc 1995-2001



Source: IEAPS

Another indicator related to the ICTs diffusion is the Knowledge Economy Index (KEI). It accounts for whether or not the knowledge environment and structure in a given country is efficient enough to lead to economic development. It is an aggregate index that represents the overall level of progress of a country towards the Knowledge Economy. The KEI is calculated based on the average of the normalized performance scores of a country or region with respect to 4 pillars related to the knowledge economy namely economic incentive and institutional regime (Tariff & nontariff barriers, regulatory quality, rule of Law), education and human resources (adult literacy rate, secondary enrolment, tertiary enrolment), the innovation system (Royalty payments and receipts, patent applications, journal articles), and Information and communication technology ICTs (telephones per 1,000 people, computers per 1,000 people, Internet users per 10,000 people).

In 1995, Morocco ranked 92 over the 134 countries surveyed with a score of 3.62. In 2008, the ranking of the country remained unchanged, and the score dropped to 3.45. Such clear regression is raises serious concerns about the level of achievements of the current national strategy regarding the reduction of the digital divide

4. Envol plan:

The plan reforms is constituted of several areas of technology that are both advanced and with a very high added value such as nanotechnology, microelectronics, biotechnology, energy, environment.The aim of this plan is to gather the human and physical conditions that would allow a successful and dynamic chain connecting training, research, development, innovation, knowledge transfer and enterprise. The aim is to create an environment that includes both clear strategic choices, a site along with an attractive infrastructure, equipment and infrastructure using the latest technologies available, leaders in their fields able to build and lead teams constituted of young researchers, talented PhDs and masters' holders. This plan considers also the aspect of transfer and development of platforms that would promote the creation of intellectual property and new businesses as well as the attraction of investments (Ministry of Economy and Finance, 2009).

Regarding nanotechnologies, initiatives have been undertaken to encourage the research and development creation in 2002 as an Interdepartmental Committee on Scientific Research and technological development was formed. In the same perspective, the initial assessment for certifying research units composed of groups has been carried out. To accompany that action, the first national fund was set in order to support the launching of the national strategy of scientific research to be reached by 2025. the design of such programs and strategies aims at creating a set of regional high-tech cities that represent an opportunity for encouraging research and development. This will be achieved by multiplying the interface between research and enterprises and by affording the adequate environment for foreign firms with high added values (Ministry of Economy and Finance, 2009).

Nanotechnologies have received extreme importance by any country that aims at sustaining its economic development. Morocco has planned to implement ambitious programs for the development of that sector. This has been translated by the launch of a preliminary national program in 2006 taking the form of an initiative for nanoscience and nanotechnology. This initiative aimed at networking national skills drawn from research laboratories and businesses in order to let nanoscience activities in Morocco converge with the international standards (Ministry of Economy and Finance, 2009).

5. Transportation

Open Sky Agreement

The Open Sky Agreement will allow a better anchoring of Morocco in the European area. The Agreement signed in Brussels on 12 December 2006 is the first signed with a non-European country. It consists of the removal of most restrictions regarding commercial air traffic. It seeks to full the integration of Morocco in the European Common Aviation area.

In 2003, the growth of the air national fleet is limited to thirty engines and the investment capacity of national operators cannot cope with such growth. Hence, there was a clear need to bring new operators for the achievement of national tourism development for instance.

The "Open Sky" implies an agreement between Morocco and the EU towards a liberalization of the Moroccan air traffic through the elimination of most restrictions (nationality, capacity or frequency). In exchange of adopting the EU acquis in this field in Morocco; (right of establishment of airlines and European Moroccan within the common area), Morocco will have to comply with 28 regulations and guidelines.
In addition, the Open Sky agreement grants five rights or freedoms namely flight over, technical handling, commercial handling, operation from and to the State of nationality of the aircraft, and progressive operation from and to any other State. In addition, the agreement provides for regulatory cooperation in areas such as civil aviation security, traffic management, air passenger safety, or consumer protection.

Considerable results have been achieved since 2004:

Before the agreement	**After the agreement**
Number of Operators: 22 already authorized	**Number of New operators:** 22 added including Atlas Blue & Jet4you
Supply side	
29 countries & 43 foreign airports	37 countries & 66 foreign airports
International air traffic	
5.5 million passengers	8.4 million passengers

In terms of prices, there were significant decreases on flights to tourism destinations causing given the growing competition between new entrants. Prices on flights to Casablanca are decreasing as well. This led to an increasingly strengthened competitiveness with the entry of Jet4you flights. (Seminar, Club Entreprendre & Amadeus 2008)

Road transportation reform

In the beginning of the current decade, an extensive program of road freight transport reform has been launched in a close collaboration with sector stakeholders. This reform is based on four pillars. The first pillar aims at the liberalization of the transport market. The second pillar relates to the stricter enforcement of laws and regulations governing the activity of road transport. The third pillar targets the reduction of the informal sector. The last pillar deals with the transformation of the regulatory framework to ensure the sector's competitiveness.

The implementation of these pillars has been achieved through the removal of the monopoly of the National Office of Transports (ONT) on all transport activities and road freight, the liberalization of all traffic of goods, the abolishment of the previous system of granting approvals and finally through the establishment of specific criteria and standards that should be fulfilled by companies wishing to operate in the sector. Further, there was a simplification of the administrative procedures needed for the entry of operators.

The ONT became, in January 2007, the National Company of Transport and Logistics (SNTL), with the mission of providing road freight transport and logistics to develop a broad and effective network in the entire national territory. As a result, since the launching of the reform, the share of informal operators in the transport activities decreased by 45% to represent less than 30% today. The socio-economic impacts of the reform are also important; the creation of more than 7200 jobs through the emergence of nearly 4400 new trucking companies. (Department of Studies and Financial Forecasts, July 2008).

Port reform

The measures taken by public authorities in the port sector are focused on the construction, extension or improvement of the ports through which 98% of the country's imports and exports flow pass. During the period 2003-2006, about 1 billion MAD per year were invested in expanding and upgrading the existing ports. The year 2005 witnessed the promulgation of a new law regulating the sector. This law aims at reducing the cost of port services and improving their quality and efficiency. It also aimed at ending the monopoly of the Ports Operating Company (ODEP) on port activity, and create entities to perform the three missions so far placed under the responsibility of the ODEP (Ministry of Equipment and Transport, 2009)

The new law operated the split of the ODEP into two different entities: the National Agency of Ports (ANP) that is in charge of regulating the sector and the Company in charge of exploiting Ports (SODEP) responsible for economic activities. However, the liberalization of the sector that is currently limited to the port of Casablanca, will be soon extended to all commercial ports, allowing then private operators to ensure all cargo handling. Moreover, investments have also been made in security systems for ports and in securing some areas for trucks in transit, to reduce illegal activities and enhance the general safety. As a result, tangible results were recorded on prices after the entry into force of the new regulations. These rates have been capped at levels below 20% in comparison with the medium prices that prevailed before, for all containers handling operations (World Bank, 2007).

6. Tourism

Morocco offers an interesting model of successful coordination externalities in the Tourism sector. In 1995, Morocco received about 2.5 million tourists, accounting for an amount of revenue estimated at approximately 4% of GDP. A decade later, the number of tourists more than doubled, to the point that the sector could be regarded as a “discovery product”. A new national tourism strategy was put in place starting from 2001, made the sector a national priority. This strategy referred to as “Plan Azur” aims at attracting 10 million tourists by 2010. The strategy builds on seeking travel wholesalers and the development of a sufficient accommodation capacity to meet the growing demand, meaning the tripling of hotels’ capacity to reach 230 000 beds. The strategy should generate about 600 000 new direct and indirect jobs in the sector and result in tourism contributing 20% to the GDP of the country by 2010. Complementary investments in basic infrastructure on-site and off site, diversified funding, improved human capital, and air services, adequate land and maritime, and finally the training of about 72 000 people are in progress. Another corner stone of the “Plan Azur” is the establishment of 6 sea tourist resorts in Saidia, Larache, Guelmim, Essaouira, El Jadida, and Agadir. The implementation of these projects is based on a high degree of collaboration and coordination between the central government, private Moroccan and foreign partners, as well as the local authorities (Ministry of tourism, 2009).

7. Distribution and franchising

The Action Plan Rawaj 2020

Starting from the year 2008, the action plan Rawaj was put in place by the Moroccan ministry of Commerce and Industry for the aim of upgrading the commercial sector. This action plan particularly emphasizes the role that the franchising sector is to play in such modernization map by identifying franchising among one of the most promising opportunities.

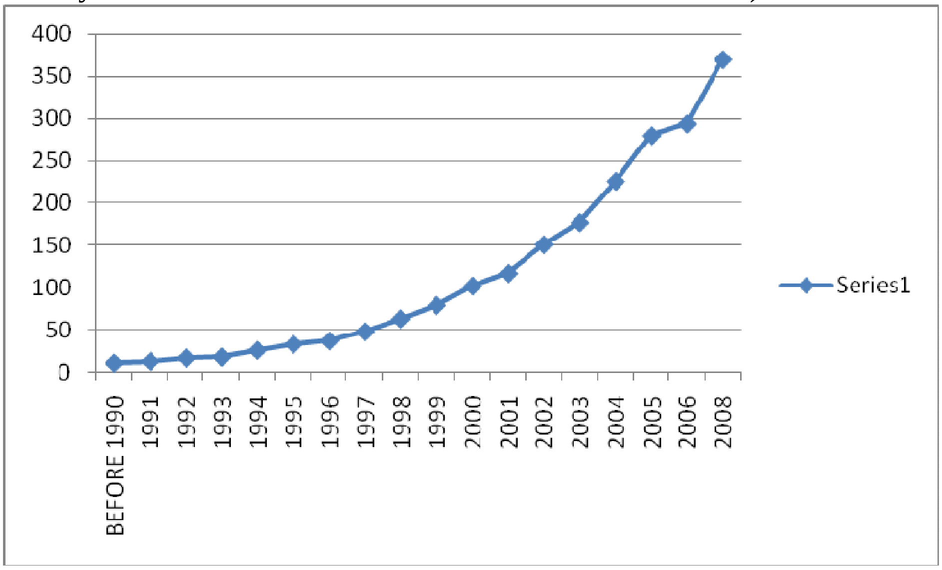
The action plan Rawaj sets as vision for the domestic commercial sector to become a comprehensive shopping platform through a diversified offer that responds to the consumers' need. The government's strategy revolves around two axes: 1) Insuring consumers' access 2) Accompanying the different actors of the sector in their development. The objectives set for 2020 include increasing the share of commerce in the national GDP from 11% to 15% and the creation of 450,000 new jobs. As far as franchising is concerned, the plan allocates 12 billion dirhams to the creation of 13 malls by 2020 intended to host no less than 3000 franchise outlets. These new outlets are expected to create 21,000 direct jobs and 5000 indirect jobs. Also, partnership between franchisers and local SMEs is encouraged by the action plan Rawaj for the aim of creating synergies and cross-sector growth.

The development of franchising

The franchising as a business practice started in Morocco in the year 1962 with the Scal Avis Company (car rental business) that introduced the transportation sector in the country. Given its remarkable success, their competitors represented by Hertz and Europcar followed. Starting 1980s, Pigier School (which is today the most large franchise network in the country), les meridiens (hotel chain) and NafNaf (clothing store) introduced the Moroccan market successfully.

The franchise sector knew its most important growth phase in Morocco starting the 1990s. The consumption behavior in the country faced a radical change. To satisfy the consumer of the country, several new franchises introduced the Moroccan market. The evolution of the franchising sector in Morocco is presented as having remarkably grown between 1990s and today as shown in graph 1. In a ten year period stating 1990s until 2000s, the number of franchised businesses has been multiplied by 10. Between 2000 and 2006, the number of franchises was almost multiplied by three moving from 102 units to 294 units. As of today, the number of franchised businesses in Morocco has reached 370 units at the end of 2008. This evolution shows the attractiveness of Morocco with regard to franchises.

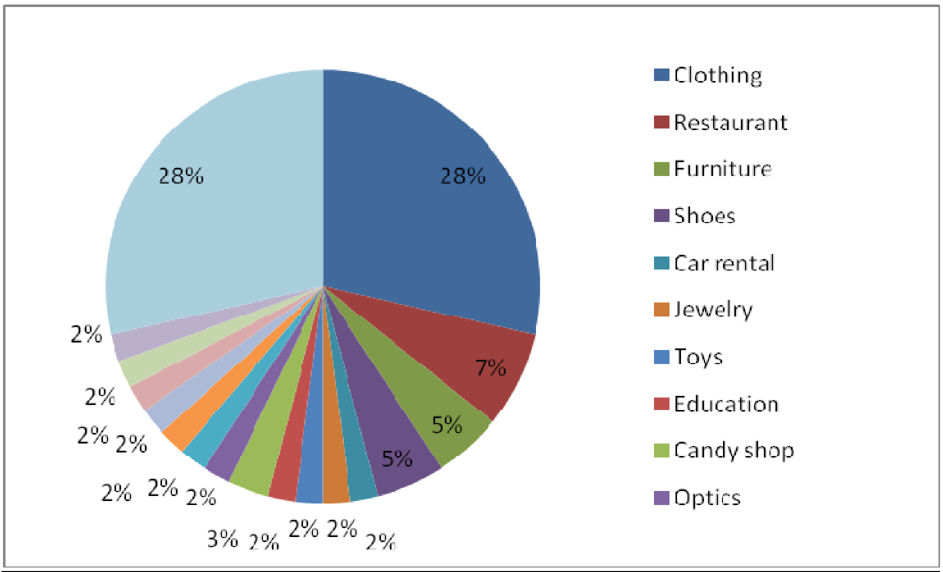
Graph 1: Repartition of franchise by date of introduction in the Moroccan market[12]: (published by the administration of interior commerce in Morocco):



As seen in the chart below, 28% of the franchised businesses in Morocco are located in the clothing industry. This trend reflects the need that the Moroccan population developed for clothing. The existence of an important number of franchised businesses in the clothing sector reflects the willingness of investors to cease the opportunities of the Moroccan markets by satisfying the increasingly demanding population. The second sector that benefits from franchising is the restaurant industry. 7% of the franchised businesses in the country are restaurant chains. Because of the changing pace of life in Morocco, the fast food restaurants are becoming a more attractive market niche. Since Morocco is opening its doors to foreigners, the modernization of the country goes through the convergence of culture to satisfy the business visitors that come to Morocco. Internationally known restaurant chains are introducing the Moroccan market that is seen as a potential growth market.

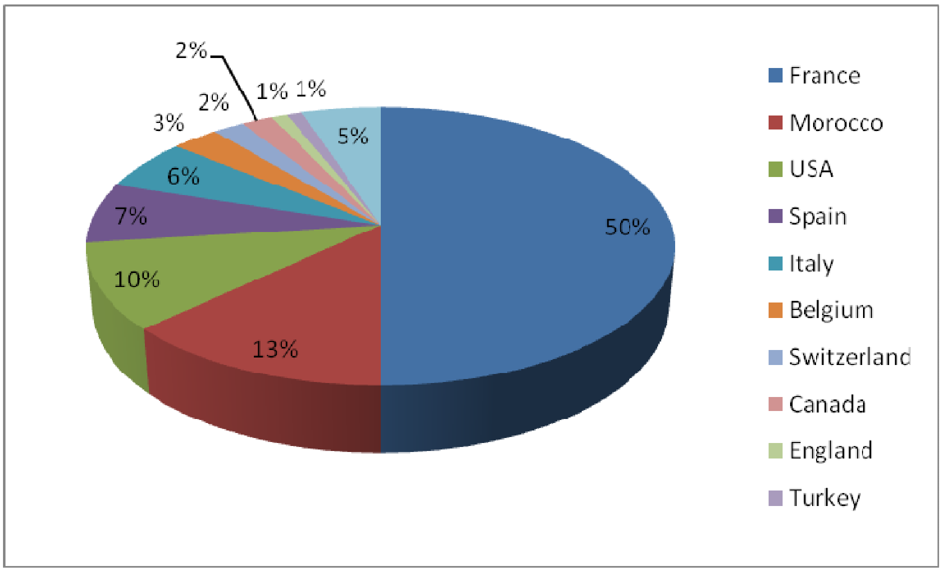
Chart 1: Repartition of franchises in Morocco according to industries [13](as published by the administration of interior commerce in Morocco):

[12] La franchise au Maroc: etats des lieux et perspectives from the interior commerce administration of Morocco.
[13] La franchise au Maroc: Etats des lieux et perspectives from the interior commerce administration of Morocco.



The Moroccan market represents a potential for international firms to expand thanks to franchising. Cultural closeness with many countries due to historical events or geographical proximity gives Morocco an image of the perfect potential market to penetrate. Also, the fact that the Moroccan youth imitate the western culture affects the franchisors choice for the country. As shown in the chart below, 50% of the franchises that are located in Morocco are coming from France. This predominance of French names is due to several factors. Most importantly, we can cite the cultural convergence of Morocco and France at some aspects due to historical events and an important French population installed in the country. As noticed from the chart, the Moroccan franchise is also developing. In 2008, Moroccan franchises ranked second (13%) in terms of brand names and first in terms of distribution outlets which implies that Moroccan entrepreneurs are rather aware of the opportunities offered by franchising. It implies as well that these entrepreneurs have succeeded in coming up with franchising concepts that fit the current Moroccan consumption patterns. The majority of Moroccan franchises concentrate in sectors of clothing and accessories, food outlets, home furniture, and telecommunication. The American origin comes next with 10% of the franchised businesses in morocco. This dominance is explained by the Americanization of cultures that impacts the Moroccan way of life. The franchised businesses that found their origins in the USA are operating mostly in the fast food and clothing industries. Most of the other franchised businesses in Morocco originate from Europe. Spain represents the highest percentage in this category (7%). Again, this can be explained by the geographical proximity as well as the historical heritage. Italy comes next with 6%. Most of the franchised businesses coming from Italy are in the clothing and leather industry. Given the very well known reputation of Italian products in those industries and the potential interesting market in Morocco, Italian franchises have expanded their operations in the country to satisfy the existent consumers' need.

Chart 2: Franchises businesses in Morocco with respect to their origins



Though the franchising system in Morocco has known a successful growth, some franchises are still facing difficulties. These failures were mainly due to the mismanagement of the franchise. The problems were identified as a being result of non-achieving the expected results as a consequence of bad marketing research. Taken from an interview with the manager of one of the most well known franchise enterprise in the country, the major difficulties that franchisors and franchisees face when operating in Morocco are about logistics, employees' training and managerial tools. Morocco does not have yet the necessary infrastructure to deal with the demand that franchisors and franchisees require to properly deal with their operations. Firms need to create their own platform for distribution and transportation if they want to manage their stocks. The task becomes all the more difficult as the number of stores increases. From the side of employees, finding qualified staff that would be able to adequately take in charge such tasks as merchandising, selling, and developing loyalty in the mind of customers is practically impossible. The manager in question states that he had invested in his employees. The cost that he had to bear to put the employees at a level that would satisfy the requirement had been high. For local franchisors, it adds other expenses to consider when starting their businesses. At the level of managerial tools, the manager in question claimed that computer tools to manage stocks and sales were lacking. All the investment related to the development of those tools was at the manager's expense. Not only they were difficult to create but they were also costly. Their development was a necessity as it was the only way to manage the networks' stores.

The year 2005 knew the reach of the termination of several franchise contracts in the country. This termination was due to the natural ending of the contract as it was negotiated between the franchisors and their franchisees depending on a time period of exercise. This fact did not stop the exponential growth of the franchise in morocco as new franchises introduced the Moroccan market as well as the expansion of the existing ones.

Incentives developed within Morocco to encourage franchising

The structure that is built around franchising in Morocco is evolving. The following section deals with the study of the financial, fiscal, juridical and administrative environments of the franchising sector in the country.

Financial environment:

Finding financial resources that would allow entrepreneurs to invest in the franchising sector remains an important obstacle to the expansion of franchising in Morocco. As cited by the CEO of the central popular bank (BCP), the banking system in Morocco has given many opportunities to entrepreneurs in order to help them finance their project. Different banking products are available in order to sustain the economic development of the country. An important emphasis is made by the CEO about the debt financing as seen by banks in the country. The banking system is not taking the risks instead of entrepreneurs and the collaterals that are required are so important that they exclude many entrepreneurs from being granted a loan. The chance that is given to entrepreneurs that are interested in acquiring a franchise is based on the success that is already proven by the franchisors. If the entrepreneur plans to become a franchisee, the franchise success gives him/her the opportunity to have a solid report to present to the bank that increases the chance to get the loan. Though the banking system has just introduced a banking product related to franchising, a debate about the effective value of that loan is raised as of the amount of the debt offered by the bank. In fact, the BCP is offering a package in the frame of franchising that can finance up to 1.000.000 MAD for the franchise fee, 1.000.000 MAD for the purchase of the commercial premise along with 70 % of the financing needed to operate the business for the first 3 months of operations. This loan can be paid back on a 7-years period with the interest rate as fixed by the bank. The collaterals that the bank asks for are all related to the financed franchise. No personal guarantees are required by the bank. The debate that arises around that bank product claims that this amount is not sufficient to help finance a franchise business. Another argument that arises around that bank loan is that it will in fact encourage the development of Moroccan concept in the franchise practice.

Fiscal environment:

The franchised businesses in Morocco are considered as commercial enterprises. From that perspective, franchised businesses –as commercial enterprises- are subject to the fiscal treatment that is governed by common laws. As any business in Morocco, the franchised businesses are subject to pay the registration fees, land conservation fees and a notary tax. Added to those taxes, the franchise owners need to pay the urban tax, the license to exercise, and the value added tax. Depending on the legal form that the business is taken, the franchises are taxed either on their personal revenues or on the profit that is generated by their businesses. The new text law that was adopted in 2008 has given some incentives to encourage investment by attracting foreign investors and to lighten the tax burden on businesses. In fact the tax rate that is imposed on businesses in Morocco has decreased from 35% to 30%. Indirectly related to encouraging the franchise sector, the Moroccan government is offering to certain industries a special treatment. For tourism, hotels are exonerated from paying taxes on the income generated in foreign currencies. The finance sector enjoys a decrease in the taxes on businesses from 39.5% to 37%. The construction projects that are aiming universities and low income houses are exonerated from paying taxes for the first five years of exercise. The real estate development, hydrocarbons, textile, handicraft companies, hotel companies, agriculture, exporting companies, mining, and construction sectors are subject to fiscal incentives in the country. Depending on the region in which they exercise their businesses, investors are exonerated to a certain lever from tax payments. If the companies have an investment superior to 200 millions MAD, they become eligible for exoneration from import and added value tax for the capital goods, equipment and tools directly imported by the company or by another entity doing it on its behalf. Companies which are located in the industrial zones benefit from 50% reduction in the corporate tax as well as the income tax for the first five years of operations. For the companies operating in Tangiers, Assilah and Fahs-Beni Makada, they benefit from a 50% reduction in the corporate and income taxes on a permanent base.

Legal environment

Contrary to certain developing countries, franchising in Morocco does not have a specific text of law that regulates and enforces franchising contract. In Morocco, franchising is regulated by the common law. Until today, regulatory bodies are not in favor of the creation of a specific law to franchising. The head of the institution responsible for interior commerce claims that investors should be given the freedom of enterprise. The Moroccan franchise federation members are progressively adopting the French deontology code related to franchising. When conflict will appear, the common law will resolve them. But, she claims also that it will be important to prepare training programs for franchisors, franchisees, and candidates for franchising. However, the franchising system is controlled by different laws depending on the situations. In some cases, the parties related to the franchise contract can negotiate to be under foreign jurisdiction in case of conflict. This provision must be stipulated and agreed upon in the contract with a precision on the country, cities and court in which the conflict will be resolved. This incentive was undertaken in order to make the foreign franchisors more confident about their business in case of litigation. Still, there exists a code of ethics that was prepared by the Moroccan franchise federation. This code enables the parties involved in the franchise contract to be aware of the provisions of their contract in order to keep the necessary level of diligence and goodwill while engaged in their businesses. On the other hand, the creation of the Moroccan industrial and commercial property office make both Moroccan and foreign investors more confident about the juridical environment in the country. This institution has promoted the trademark protection which can guarantee the safety and security of concepts within the country.

Administrative environment:

As stated by the Moroccan observatory of franchise, franchising is building its framework within the country, slowly but surely. From that perspective, the concerned institutions that are involved in the building of that framework are engaging in restructuring the business environment in the country.

In April 2008, the minister of commerce in Morocco presented the “RAWAJ plan”. This presentation aimed at evaluating the strengths and weaknesses of the industrial and commercial sector in the country and drawing the necessary actions that will make the sector overcome its weaknesses and become modernized. In that perspective, the minister listed the various weaknesses that are faced by the industrial and commercial sector in the country. The main obstacles that are recognized in that presentation as barriers to the development of the franchise sector in the country are related to the weak infrastructure linked to distribution and logistics, non-qualified personnel in the field, predominance of the traditional commerce and a non-sufficient representation of the sector of franchise in the country. Parallel to that report, the minister established the strengths of the commerce and franchise sector as being composed of the geostrategic position as well as the evolution of the consumers’ behavior and purchasing power within the country along the modernization of the industrial and commercial sectors. In the scope of effectively using its strengths and overcoming its weaknesses, the minister of the industry and commerce in the country suggested the application of an action plan. The aim of the action plan is to lead Moroccan market to become a shopping platform responding to all levels of consumers’ needs. In order to effectively implement that action plan, two strategies were formulated on the prospects of (1) ensuring to the consumers the access to the products offered and (2) accompanying the actors of the commerce sector in their development. The objective of the project is to turn Morocco into a shopping platform par excellence and to encourage the development of new modes of supply and distribution with a view to raising the commercial sector's share in GDP from DH 61 billion in 2006 to DH 98 billion in 2012, and creating 200,000 jobs during the period 2008-2012. A fund known as the Fonds pour le développement du commerce et de la distribution (Fund for the Development of Trade and Distribution) was created for that purpose.

Within the framework of “Rawaj plan” the ministry of commerce developed a census of the availabilities of the commercial properties in order to better guide investors in their choice of location. To overcome the already cited issue of non qualified personnel, the ministry plans to make a reform on the education and training of future employees in order to overcome the gap between what the investors are looking for as a work force and what the work force were offering as qualifications. Also, one of the most promising actions that the ministry is dealing with is the promotion of the image of Morocco in the mind of investors whether there are local or international. The aim of this strategy is to have a territorial marketing through several periodic events (such as the franchise fair) in order to promote the vision of “OFFRE MAROC” that intend to make the potential of the country more visible. In the scope of the emergence of franchising in the country, the ministry is supporting the national operators in that sector in order to promote their businesses at the local and the international level. A convention between the ministry of commerce of Morocco and the chamber of commerce, industry and service of the country (CCIS) has been signed. Also, to reach that same goal, the ministry is supporting the development of necessary infrastructure and professions that will overcome one of the most important obstacles to franchising: the lack of necessary infrastructure and logistics. In that same perspective, a better planning is developing in order to enable an evaluation of the consumers’ needs and commercial fabric. This evaluation will allow the concerned entities and investors to have a better insight on the opportunities offered in the Moroccan market and will permit a better ceasing of those opportunities.

In that frame, the Moroccan office of the commercial and industrial property (OMPIC) is working as an agent of the ministry of commerce and industry of the country in order to create and maintain the adequate framework for companies operating in Morocco. The two main functions of that institution are (1) to register the commercial names of the companies operating in the country and (2) to register the industrial property titles. In the scope of modernizing the Moroccan economy and sustaining its growth, OMPIC has projected a 2010 vision and developed 5 main axes in order to support this vision. The legal environment is guaranteed by the Moroccan law that protects the industrial property titles in the country. OMPIC facilitates the implementation of the legislation by simplifying the procedures the companies need to go through to register their titles. National companies also receive a support in that field by the creation of the anti-counterfeit committee. Given the increasingly technological world, innovation is seen as a growth engine. In that perspective, OMPIC set for its self two goals to achieve in order to make the country profit of its ability to use technological advances: (1) encouraging innovation and the registration of patents in the country and (2) disseminating technical information about patents in the country in order to make economic players aware of the importance of technological intelligence. OMPIC has developed an information system named SIPIC that will allow interested parties to have access to industrial property titles and trade registers. Also, the system will allow access to on-line formalities and researches. The long term goal of OMPIC is to make SIPIC an on-line database that would include also a value-added analysis of raw data included in it. To communicate issue about industrial and commercial property titles and support the management of companies related to their titles, OMPIC organizes seminars and training sessions. In order to increase awareness among concerned entities that would be interested in the office's activities, OMPIC takes part in fairs and tradeshows in the industrial and commercial fields. In order for the OMPIC to achieve its goals, it has successfully obtained the ISO 9001 certification. Within the same frame, the office is planning to install an internal audit system that will increase the trust of the parties dealing with the office. With the creation and development of such an institution, Morocco is getting aligned with the international standards. This alignment is giving both national and international investors an increasing confidence in the Moroccan market. Attracting investments will become easier for the country as investors will be ensured about the protection of their businesses. The impact will be greater for franchisors as they will guarantee the safe aspect of doing their business in Morocco.

The Moroccan government has created different entities, all aiming at guiding and ensuring a good development of the commercial and industrial sector within the country. More of interest to our research, the franchising sector that represents an important growth tool for both national and international investors had faced the development of an administrative environment to facilitate their activity. The emergence of such institutions as the chamber of commerce, industry and services (CCIS) and the regional centers for investments (CRI) have made the process of business expansion -for local and foreign enterprises- better organized and supervised. The CCIS intervenes in favor of many commissions and organisms representing regional, national and international businesses. Its aim is to put in place projects dealing with economic development. The action plan of the CCIS aims at training the national businesses in order to allow them to evolve with respect to the international level. The CRIs were created in 2002 in Morocco. Those institutions are liable for facilitating the process of enterprise's creation at the administrative level. The role of the CRI is to inform the investor about all the necessary documentation that is required in order to start a business. Thanks to the CRIs, both local and foreign investors that are interested in opening a franchise or expanding it in the Moroccan market will get the required guidance at the administrative level.

8. Offshoring

The Moroccan offshoring strategy constitutes one of the pillars of the "emergence Plan" aimed at the repositioning of the national industries following the countries' real competitive advantages. The government views offshoring as a high-potential vehicle of economic development as it is expected to supplement the GDP by an additional 15 billion MAD by 2015 and create up to 100,000 jobs. The national strategy for developing the offshoring sector is based on a package that combines the various competitiveness factors related to training, fiscal incentives, and world class infrastructure. This package is to provided through 5 different dedicated zones all over the country: Casablanca, Rabat Tangiers, Marrakech and Fez (Ministère de l'économie et des finances, 2009).

As far as training is concerned, Morocco plans the launching of a support mechanism for post-hiring training programs for which the government fully takes in charge the financing up to 65,000 MAD per employee over a period of 3 years. In addition, a wider national program focused on offshoring professions is to be put in place. This national program is concerned with two tasks. A first training program specialized in offshoring professions expected to 22,000 beneficiaries and a second program aimed at training 10,000 engineered by 2010. The latter was launched in 2006 (l'Association Professionnelle des Informaticiens, 2005).

For the materialization of these Offshoring promotion programs, the authorities opted for a regional specialization of the different zones dedicated to the offshoring activities. Accordingly, Casablanca has been pointed out as the prime destination for French-speaking nearshoring and thus hosted the structure Casanearshore specialized in Business Process and Information Technology offshoring. The first part of structure was completed in December 2007 after a total investment of 1.7 billion MAD. Rabat on the other hand, is hosting a technology city Rabat Technopolis of which the first part was completed and required a to total investment of 3.3 billion MAD (Ministere de l'industrie, du commerce et des nouvelles technologies, 2007).

9. The Practice of social responsibility by Moroccan Enterprises

Morocco is among the developing countries that have started to realize the importance of corporate social responsibility (CSR). CSR represents an opportunity for Morocco to grow and attract foreign investors especially that its economic development is turned towards external markets.

Moroccan companies that already adopted the concept of CSR the past few years are rated by the Vigeo group, the largest corporate social responsibility rating agency in Europe.

Examples of those companies include BMCE Bank, Attijariwafa bank, Lydec, the National office of fisheries, and many others.

According to La Confédération Générale des Entreprises Marocaines (CGEM), many Moroccan companies are candidates for the label CGEM (social responsibility chart) adopted by the CGEM. Members of the CGEM firmly express their commitment to respect, defend, and promote the universal principles of social responsibility and sustainable development of their economic activities, their social relations and their contribution to the creation of value, in general. Those standards of social responsibility already exist in the constitutional principles of the Kingdom of Morocco and the national legislation. The CGEM is convinced that the social responsibility chart adopted by the confederation is a strong factor of positive differentiation for Moroccan companies and Moroccan economy.

The report on corporate social responsibility (Mediterranean Development Forum) describes the actual situation and the trends of CSR in Morocco; the sample includes 67 companies including private companies, public institutions, and subsidiaries of foreign companies or organizations with an association status.

The following table and figure shows the distribution of commitments of those companies according to six main areas of social responsibility: responsible management of human resources, community commitment, corporate governance, observance of market rules, commitment for the environment, and respect and development of individual freedom.

Table1: Distribution of commitment per CSR area:

Commitment areas	Number of expressed commitments
Responsible management of human resources	25
Community commitment	16
Corporate governance	11
Observance of market rules	7
Commitment for the environment	5
Respect and development of individual freedom	1
Total	67

Source: Corporate Social Responsibility in Morocco: Mediterranean Development Forum

According to table 1 and figure 1, in the first position, 37% of the companies express their commitments towards their human resources by investing in employment enhancement, working condition improvement and finally by professional relation improvement. In the second position, 25 % of the companies focus on the community area. According to the report, this represents in some parts the extension of the interest granted to human resources internally, since a part of societal commitments is concerned with employees' families or the company close environment. In this category, six companies participate in literacy programs and education dissemination. Four companies are involved in public health improvement; four others strive for cultural action or the Natural Heritage safeguard. In the third position, companies show their commitments with regard to corporate governance. Different practices include codes of conduct, commitments to shareholders, transparency rules, efficiency of board of directors, effectiveness of monitoring instruments, etc. The two other commitment groups are related to observance of market rules (11%) and environmental protection (8%). Finally, only one commitment was stated regarding respect and development of individual freedoms.

The following table shows the distribution of commitments per sector of activity.

Table2: Distribution of commitment per sector of activity:

Commitment per Sector	Number of expressed commitments
Agribusiness	6
Cement industry	7
Pharmaceutical industry	8
Textile industry	9
NTIC and Telecommunications	10

Finance	13
Mining and fisheries	6
Multi-sector	2
Total	67

Source: Corporate Social Responsibility in Morocco: Mediterranean Development Forum

The table shows a high presence of CSR principles in secondary sectors and tertiary with 30 and 29 commitments respectively. However there is a weak presence in the primary sector (only 6 commitments), where agriculture is totally inexistent. Among the selected companies, no company from the tourism sector is present, despite the high contribution of this sector in the national economy.

Social Rating:

Over the last three years, there has been a growing interest in social rating in Morocco. In 2004, Vigeo that is the leading European corporate social responsibility ratings agency opened its branch in Casablanca. Vigeo assesses the degree to which companies and public corporations take into account environmental, social, societal and corporate governance objectives, which constitute risk factors for them in the definition and implementation of their strategy and policies. Vigeo rating system is built on six commitment areas: respect of human rights in the society and at the workplace, development of human resources and continuing improvement of social relations, Environment protection, enhancement of clients' and suppliers' interests, proper corporate governance, and community commitment.

To illustrate social rating in Morocco, four examples of companies will be discussed. They were all rated by the European agency Vigeo.

i.National Office of Fisheries (ONP):

Founded in 1969, the National Fisheries Agency has focused its action, since 1996, around two main missions: the development of coastal and small scale fisheries and the organization of marine fishery products trade. ONP was the first public institution to experience an assessment of its social policy by Vigeo. ONP was among the first companies that have integrated the social, ethical and environmental dimension in its managerial policy.

Overall, the company is considered as "active" with regard to the components of social responsibility.[35]

ii.LYDEC:

LYDEC, which was founded in August 1997, was the first Moroccan experiment in the field of the delegated management of electricity and water distribution and sewage removal services. Over seven years of operational activity, the company demonstrated the extent of its know-how and commitment, enabling four million inhabitants of Casablanca to benefit from better living conditions. The initiatives and investments grew in number to provide the city with infrastructures that measured up with its development, modernizing customer services, combating floods, and ensuring the security of electrical installations.

Vigeo considers Lydec to be active towards social responsibility objectives. Findings have revealed that Lydec expresses high level of commitment regarding “corporate government” and “community” areas. According to Vigeo auditors, Lydec is active and characterized by highly transparent and efficient corporate governance and community commitment. Concerning “human resources”, “environment” and “clients-suppliers” area, Lydec is rated as an “active” company. Moreover, as to the “human rights” area, Lydec is at the “careful” level. According to Vigeo auditors, Lydec does indeed respect human rights at the workplace and its environment, without however setting up their development as a formal goal. Vigeo asserts that the social, community and environment dimensions are clearly integrated into Lydec global strategy.[14]

iii.BMCE

Founded in 1959, BMCE Bank (Banque Marocaine du Commerce Extérieur) is a large commercial bank in Morocco operating over 100 branches in Morocco with some international branch offices in some foreign countries. [15]BMCE was rated by Vigeo especially with regard to two targeted areas: basic human rights and social commitment. Concerning BMCE practices with regard to respect of freedom of association, fundamental rights and abolition of proscribed working forms (child labor and forced labor), BMCE was considered “careful”. On the other hand, it was rated to be “active” in terms of non-discrimination towards gender equality. Moreover, Vigeo considers BMCE to be very active about trade union right and collective bargaining right. It is also

[14] Press release: Vigeo baptizes its solicited social rating product OVERNANCE. Retrieved from www.vigeo.fr
[15]BMCE bank. Retrieved from http://www.bmcebank.ma/

assessed as active regarding respect of private life of its employees and clients, as well as their security.

Concerning social commitment, owing to its several social projects, BMCE was rated “active” and “committed”. Its action sphere is quite diverse, including one of the most important: Mederast.com.35 Through the Medersat.com project launched in 2000 by the BMCE Foundation, 55 remote villages across Morocco that were previously suffering without schools, power, or reliable water supply, now possess all of these. $15 million has been committed by the foundation and its partners and 55 rural community schools have been built throughout Morocco. More than 5,400 primary students and 1,100 preschoolers have been enrolled in these community schools, which have also provided literacy training to 5,000 adults. Medersat.com was established to give all children and adults in these areas a chance to reach a level of education that will enable them become positive forces for development through their contribution in the community.

CSR Perception in Morocco

For the first time in Morocco in 2005, the European rating Agency Vigeo, the Investment Department and the CDG group conducted a survey on CSR perceptions among over 1,000 companies of all nationalities but all based in Morocco. The findings of the survey revealed that 73.6% of respondents consider CSR as a serious and promising issue for Moroccan companies, against 19.2% who believe it is an irrelevant matter for Moroccan companies and emerging countries. About CSR areas considered as priorities by respondents, proper governance was first selected by over 50% followed by corruption prevention in the second position and respect of social legislation in the third position. Concerning the other CSR areas such as management of human resources, tax payment and safeguarding the natural environment, they were selected respectively with 39.2%, 36.8% and 29.6%. Finally, reporting and communication were selected by 2.4%.

Respondents mentioned three main categories of motivations regarding CSR which are the improvement of management transparency, image building and reinforcement of the company’s cohesiveness expressed respectively by 32%, 24.8% and 19.2% of the respondents. Other motivations include reinforcing efficiency (17.2%), securing supplies and relations with clients (14.4%) and ensuring legal security (12%). Concerning SRI profitability, 83.2% stated that a socially responsible investment can be profitable to shareholders and to the community only in the long run. On the other hand, 12% believe it is profitable to shareholders in the first place, then to the community, and only 3 respondents think it is unprofitable but useful for the local community. S. Kharbouche (2007) and A.Driouchi and S. Kharbouche, (2008) analyzed both perception and the driving factors of CSR. S. Kharbouche (2007) attempted a survey over enterprises that are quoted on the Casablanca Stock exchange.

The results indicate that Moroccan firms have recognized the importance of the integration of CSR principles in their business operations and their interaction with stakeholders. The study reveals the existence of important levels of commitment to CSR principles according to the subjective perception of firms and the report of the Mediterranean forum. In other words, there are positive changes occurring in Morocco regarding the adoption of CSR. It is actually very important to note that there is consistency between the overall economic and social objectives of Morocco and the attitudes of Moroccan firms towards CSR principles.

Moreover, the findings of the research indicate that the majority of firms consider CSR as an investment or risk management tool for a better performance. The majority of companies perceive the management of the six risk factors related to CSR as an important driver regarding the adoption of CSR. According to the respondents of the survey, the most important risk factors include reputation, legal security, and efficiency.This shows that Moroccan firms have an instrumental vision (instrumental based motives) towards the adoption of CSR.

Other important findings concern the pressures that induce firms to adopt CSR principles. The results of the survey revealed that the pressures of clients and suppliers are considered the most important drivers followed by NGOs.

Furthermore, Companies consider three main important reasons that inhibit the adoption or full integration of CSR principles in the business operations of Moroccan companies: time constraint, budget constraint, and the existence of no government support. In order to encourage CSR in the Moroccan context, the government might have a crucial role in offering fiscal incentives to companies that establish CSR.

Additionally, the logistic regression analysis on the Casablanca stock exchange companies revealed statistically significant positive relationship between prior financial performance (measured by ROA) and the adoption of CSR. On the other hand, less profitable firms may be less willing to adopt socially responsible actions because of their inability to absorb the costs of CSR. The logistic regression revealed also statistically significant positive relationship between the size of companies (measured by total assets) and the adoption of CSR. Larger firms seem to adopt the CSR principles more often since they might have the capability and resources to do so. However, the logistic regression could not reveal any statistically significant relationship between the age and the adoption of CSR within Moroccan firms.

10. Public-Private Partnership & Outsourcing in the Regional Context

In Morocco, local development is conducted within the legal framework supported by the Dahir n°1-02-297; (3 October 2002) that allowed the law n°78.00 entitled « Communal Charter ». In this context, local communes are important partners that play important economic and social roles besides central administration, public organizations and private enterprises. Local public services that include water, electricity besides liquid and solid residues are among the major tasks of local communes. Starting in 1990s, major changes took place in these areas with the promotion of public-private partnerships with new organizations. Delegations for urban water, electricity and management of liquid and solid residues have been allocated in Casablanca (1997), Rabat (1999), and Tangiers (2002).

Casablanca:

According to a report by S.Chadli, H.El Hatimi and A.Reffouh (2009), in Casablanca, the group « LYONNAISE DES EAUX » (LDE), and its associates, became "Lyonnaise de Casablanca". It is a private company under the Moroccan Law with 800 million Dirhams as capital with 35 % share to “Suez Lyonnaise des Eaux” 24 % to Elyo (affiliate of Lyonnaise des Eaux), 18 % to France Electricity, 18 % to Endesa (Spanish group) and 5 % to Aguas de Barcelona. The territory covered include the urban community of Casablanca with Mohammedia. The 30 year contract covers also the neighboring cities of

Médiouna, Nouaceur, Dar Bouazza, El Mjjatia, Sidi Hajjaj, Tit Mellil, Lahraouyne, Ouled Saleh…). The level of investment is reported to be around 30 milliard DH.

Rabat-Salé and Témara :

The contract is established in 1998 with the group Luso-spanish composed of ELECTRICITE DU PORTUGAL (EDP), URBASER, PLEIADE and DRAGADOS. This contract applies to Rabat, Salé and Témara besides the urban Communes urbaines of Skhirat, Bouznika with the rural communes of Bouknadel, Shoul, Ain Atiq, Sebbah, Mers EL Kheir, Sidi Yahya Zair et Cherrat. The investment program is of 13,7 milliards DH (S.Chadli, H.El Hatimi and A.Reffouh (2009)). But in 2002, the above company is replaced with Vivendi/ Environment group.

Tanger-Tétouan :

This is a 25 years contract that is established with Vivendi. The levels of investments are given below:

Investments en millions de DH

Designation	Tangiers	Tetouan
global	**3.712**	**3.896**
Waste management	**1.767**	**1.493**
Water	**829**	**1.032**
Electricity	**1.115**	**1.372**

Waste management is governed under the 2006 law 28.00 knowing that communes started in 1997 the externalization of these services. Other communes have joined this approach between 2002 and 2009. The major benefits reside in promoting the environment and the utilities in most of the cities and urban centers in Morocco. Public transportation has also been concerned with these private-public partnerships with different private companies developed in different urban agglomerations.

X. Social and political Reforms

1. Democratization

The process of democratisation is perceived by the Moroccan government as a priority area. The Moroccan constitution has undergone five revisions since its adoption in 1962. The fourth revision was operated in 1992 and aimed at creating a Constitutional Council and parliamentary investigation committees. This amendment has also reduced the age of full legal citizenship from 21 to 20. The last change occurred in 1996 and established for the creation of a bicameral legislation body.

In 2007, a new law on political parties was promulgated. The new law aimed at upgrading the political sphere in the country by establishing sound driving principles such as democracy and transparency at the level of political parties creation, electoral programs, management, financing, and respect of laws. In addition, a Municipalities Charter (Charte Communale) was put in place with the objectives of entrenching democracy principles at the local level through proposing a new organization for cities, by extending the prerogatives of municipalities as prime economic and social development agents, and by mitigating the central government control. In this sense, an improved conception of authority was promoted aiming at the democratisation of the relations between public administration and the citizens (MAP, 2008).

Seven major United Nations conventions on human rights and seven of the eight International Labor Organization (ILO) conventions on human rights were ratified. Related reservations covered areas such as freedom of religion, torture, and gender equality. Further, the Moroccan Government ratified in 2005 an international convention for combating corruption that aims at prosecuting those involved in acts of corruption and calls for the recovery of all financial revenues accrued from those acts. In 1990, "The Advisory Council for Human Rights" was established by royal decree. A set of laws promulgated in 2001 have established for further independence of the council, strengthened its jurisdiction powers, and qualified it to assist the king in protecting and advancing human rights affairs. The "Grievances Court" was established in 2001 for the purpose of complementing the work of the Advisory Council and the Moroccan judicial system since this court was designed to address non-judicial disputes between State agencies and private citizens. Further, the creation of the "Commission for Equity and Reconciliation" was announced in 2004. Its mission has covered a two-year period during which past human rights violations files were processed to redress inflicted harm following a non-judicial settlement scheme. The Moroccan government has as well approved in 2004 a draft law for punishing perpetrators of torture entailing prison terms ranging from 5 to 30 years (Direction des études et prévisions financières, 2009).

A new press code was adopted in 2002. It gives the Ministry of Interior and the prime minister the power to supervise the Moroccan media. The Prime Minister may order the suspension of a publication if it undermines Islam, the monarchy, national territorial integrity or public order. Also, fines and jail terms for violations were reduced, administrative procedures for creating a new publication were facilitated, yet the provisions allowing the detention of journalists in cases of defamation claims were maintained. In the same year, the State's monopoly of the telecommunications infrastructure needed for broadcasting and television services was ended and as the High Audiovisual Communication Authority was created to provide advisory opinions and legal expertise and consider applications and issue authorizations for the establishment of audiovisual stations (Haute autorité de la communication audiovisuelle, 2005).

2. Gender Issues

In 1993, Morocco has ratified the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) with reservations regarding possible conflicts with Islamic law. The legislative elections of 2002 have witnessed the introduction of a quota system granting women 30 seats in the House of Representatives for women, becoming the only country in the region in which women presence in the parliament has reached 10% as 34 women won seats that year. The legal status of women has also reached a turning point in 2003 with the promulgation of the new family code according which women are their own guardians; the legal age for marriage was raised to 18, polygamy came under new restrictions that are highly prohibitive, women have equal rights to divorce; verbal repudiation is no longer legally binding, and no divorce can be final until the assets of the couple are equitably distributed and any debts owed to the wife and children have been paid. In 2005, King Mohammad VI announced that Moroccan women are now entitled to transmit their nationality to children born of non-Moroccan fathers (ligue démocratique pour les droits de la femme, 2005).

3. Social and human development initiatives

On the social front, the most important and meaningful engagement of Morocco has forged during the recent years with the creation of the National Initiative for Human Development (INDH) in 2005 at both national and regional levels. The creation of the National Observatory for Human Development (ONDH) supports the INDH with regard to the direction of actions, future initiatives and tools for evaluation. These institutional frameworks are devoted to poverty alleviation and human development. As poverty is local problem, the INDH develops projects that are targeted to generate more inclusion and better access to material and immaterial means of living for the poorest segments of the population. The focus on women, children and disabled besides targeting the most vulnerable urban and rural areas are among the pursued priorities. Ensuring better access to housing, education, water, electricity and health are among the outcomes of different projects undertaken in several localities. For the period 2006-2010, the budget allocated to the INDH amounted to 10 billion MAD (INDH, 2005).

4. Education

In November 1999 Morocco adopted the National Education and Training Charter being a framework establishing for the reform of the Moroccan education system in the medium and long term. A set of measures for modernization and bringing the Moroccan education system in line with international standards were announced. Also, the decade 2000 to 2010 was proclaimed the Decade of Education and Training. In this sense, the Basic Status of pre-school education was passed in 2000 and left the provision of pre-school education in the hands of private sector, given that the government would focus then on the areas of regulation training and pedagogical innovations. In 2005, the country launched with the help of the World Bank a new Basic Education Reform Support Program, known as PARSEM. The target audience of the PARSEM are basically school children within the range of 6 to 14 years old and aims at improving quality, enhancing stake-holders involvement, and ensuring financial sustainability. The PARSEM is also designed to help decentralizing the educational sector at the central, regional, provincial and local levels. Morocco sough as well to reform its public universities starting from the 2003-2004 academic year by introducing the European LMD ("Licence, Maitrise, Doctorat") degree system and this with the support of the French government and the World Bank in an attempt to adapt its universities to international standards (World bank, 2004). These measures have indeed led to the quantitative increase in the schooling rates and to the reduction of education gaps between females and males and between the rural and urban areas. Nevertheless, the overall results failed to reach the predefined objectives. To remedy to that, the Ministry of Education has initiated an emergency plan “Najah” aimed at accelerating the pace of the reforms. The new strategy covers the period 2009-2012 and is based on 23 specific projects targeting areas such as the enforcement of the mandatory schooling provision until the age of 15 and the stimulation of excellence in high schools and universities (L’economiste, 2008).

5. Health

Since the independence of Morocco, life expectancy indicator has jumped from 47 years of age in beginning 1960s to 71 years of age today (72.5 years for females and 68.5 years for males). On average, the indicator of life expectancy at birth in Arab countries has significantly increased from 52.1 years in 1970s to 66.5 years in the first five years of the new century. This average is slightly higher than the average indicator for developing countries (64.9 years) and lower than the one of middle income countries (70.1 years) (World Bank, 2009).

In Morocco, the health system has known a considerable improvement since the independence. The state worked on improving primary health care, training medical and paramedical personnel, and facilitating citizens’ access to health services. The current number of health care establishments exceeds 2460 compared to 394 in 1960. The country hosts 120 hospitals with a resident-to-bed ratio of 1 bed for 1000 residents. The doctor-to-resident ratio increased from 1 doctor for 12,120 residents in 1967 to 1 doctor for 1900 residents in 2004 (RDH50, 2006).

In order to reinforce citizens' right to health, the Moroccan government approved two reforms in 2005 to expand health insurance coverage. The first is a payroll-based mandatory health insurance plan (Assurance Maladie Obligatoire- AMO) for public and private sectors employees to extend coverage from the current 16 percent of the population to 30 percent (Association marocaine de l'industrie pharmaceutique, 2005).

The second, the Regime d'Assistance Medicale (RAMED) creates a State- financed fund targeting the poor categories of the population and giving them access to basic healthcare. Both reforms aim to improve access to health care and reduce disparities in access and financing between income groups and between rural and urban areas (Centre des liaisons européennes et internationales de sécurité sociale, 2008).

XI. Comparing Business Practices through the Analysis of "Doing Business data"

Using the variables developed in the "Doing Business" database (World Bank, 2009), the z-score has been computed for Morocco in comparison with the other countries selected. These countries include Greece, Ireland, Poland, Romania, Spain and Portugal as EU countries besides Algeria and Egypt as representatives of the MENA region. The results show that enterprise creation in Morocco has respectively the following shortcomings and advantages in comparison with the set of countries introduced in this comparison. The detailed data used are introduced in the related appendix while the derived table is included in this text.

For Morocco, relative strengths and weaknesses are derived on the basis of the t-stat. Variables that showed a t-stat with t-stat lower or equal to the critical value, are areas where business practices are not different between Morocco and the average of the sample of countries.

Relative strengths: These are obtained from the following table when t-stat is higher than the critical value (2.50) at 1 % significance level. The sign depends on the type of variable considered. Relative strengths are consequently revealed through recuperating the variables on which Moroccan business practices are statistically favored. The variables include the timing of operations, the operators and the relationships to the environment and to markets. There is a total of 19 variables over 43. These variables are:

- Average Time to Clear Direct Exports Through Customs (days)
- Average Time to Clear Imports from Customs (days)
- % of Exporter Firms
- % of Firms that Use Material Inputs and/or Supplies of Foreign origin
- % of Firms expressing that a Typical Firm Reports less than 100% of Sales for Tax Purposes
- Average number of visits or required meetings with tax officials.
- Days to Obtain Operating License
- Days to Obtain Construction-related Permit
- Days to Obtain Import License
- % of Firms Identifying Business Licensing and Permits as Major Constraint
- Losses Due to Theft, Robbery, Vandalism, and Arson Against the Firm (% of Sales)
- Products Shipped to Supply Domestic Markets Lost Due to Theft (%)
- % of Firms Identifying Crime, Theft and Disorder as Major Constraints
- % of Firms expressing that a Typical Firm Reports less than 100% of Sales for Tax Purposes
- % of Full Time Female Workers
- Number of Power Outages in a Typical Month
- Value Lost Due to Power Outages (% of Sales)
- Average number of Incidents of Water Insufficiency in a Typical Month
- Delay in Obtaining a Water Connections (days)
- Delay in Obtaining a Mainline Telephone Connection (days)
- Average Time to Clear Direct Exports Through Customs (days)
- Average Time to Clear Imports from Customs (days)*
- % of Exporter Firms
- % of Firms that Use Material Inputs and/or Supplies of Foreign origin

Relative Constraints to enterprise creation and operations in Morocco compared to the other countries include a total of 8 over 43 variables that are:

- % of Firms Identifying Tax Rates as Major Constraint
- % of Firms Paying for Security

- Security Costs (% of Sales)
- % of Firms With Female Participation in Ownership
- % of Firms Using Banks to Finance Investments
- Value of Collateral Needed for a Loan (% of the Loan Amount)
- % of Firms with Annual Financial Statement Reviewed by External Auditor
- % of Firms using its Own Website

For some business variables, no statistical differences have been observed between Morocco and the other countries. There are 16 variables where business practices are not different between Morocco and the average comparators. These variables include:

- % of Firms that Trade Identifying Customs & Trade Regulations as a Major Constraint
- % of Services Firms Competing Against Unregistered or Informal Firms
- % of Firms Formally Registered when Started Operations in the Country
- Number of years firms operated without formal registration
- Senior Management Time Spent in Dealing with Requirements of Government Regulation (%)
- % of Firms Identifying Tax Administration as Major Constraint
- % of Services Firms Competing Against Unregistered or Informal Firms
- % of Firms Formally Registered when Started Operations in the Country
- Number of years firms operated without formal registration
- % of Women in Senior Positions
- % of Firms with Line of Credit or Loans from Financial Institutions
- % of Firms Identifying Access to Finance as a Major Constraint
- Delay in Obtaining an Electrical Connection (days)
- % of Firms With Internationally-Recognized Quality Certification
- % of Firms Using Technology Licensed from Foreign Companies
- % of Firms that Trade Identifying Customs & Trade Regulations as a Major Constraint

	Mean	Stdev	T test
Average Time to Clear Direct Exports Through Customs (days)	5.63	3.55	-3.40
Average Time to Clear Imports from Customs (days)*	7.22	4.31	-2.55
% of Exporter Firms	28.86	23.60	8.17

% of Firms that Use Material Inputs and/or Supplies of Foreign origin*	53.97	18.65	6.52
% of Firms that Trade Identifying Customs & Trade Regulations as a Major Constraint***	14.33	9.41	0.00
% of Firms expressing that a Typical Firm Reports less than 100% of Sales for Tax Purposes	34.46	12.76	-8.54
% of Services Firms Competing Against Unregistered or Informal Firms	46.95	13.85	0.17
% of Firms Formally Registered when Started Operations in the Country	82.29	32.17	0.37
Number of years firms operated without formal registration	2.83	6.53	-1.27
Senior Management Time Spent in Dealing with Requirements of Government Regulation (%)	10.17	10.12	0.37
Average number of visits or required meetings with tax officials.	1.72	0.82	-2.82
% of Firms Identifying Tax Rates as Major Constraint***	41.14	18.09	2.55
% of Firms Identifying Tax Administration as Major Constraint***	24.86	10.92	-2.27
Days to Obtain Operating License	29.77	27.52	-3.03
Days to Obtain Construction-related Permit	89.81	31.99	-2.84
Days to Obtain Import License	30.54	36.94	-2.44
% of Firms Identifying Business Licensing and Permits as Major Constraint***	16.83	8.39	-2.83
% of Firms Paying for Security	45.58	9.20	-3.32
Losses Due to Theft, Robbery, Vandalism, and Arson Against the Firm (% of Sales)	0.31	0.27	-3.35
Security Costs (% of Sales)	0.94	0.61	-3.05
Products Shipped to Supply Domestic Markets Lost Due to Theft (%)*	0.23	0.19	-3.46
% of Firms Identifying Crime, Theft and Disorder as Major Constraints***	13.96	9.16	-3.65
% of Firms expressing that a Typical Firm Reports less than 100% of Sales for Tax Purposes	34.46	12.76	-8.54
% of Services Firms Competing Against Unregistered or Informal Firms	46.95	13.85	0.17
% of Firms Formally Registered when Started Operations in the Country	82.29	32.17	0.37
Number of years firms operated without formal registration	2.83	6.53	-1.27
% of Firms With Female Participation in Ownership	33.64	14.26	-4.55
% of Full Time Female Workers*	29.46	11.27	2.95
% of Women in Senior Positions*	8.08	4.27	0.17
% of Firms with Line of Credit or Loans from Financial Institutions	37.97	15.23	-0.95
% of Firms Using Banks to Finance Investments	28.08	14.54	-3.43
% of Firms Using Banks to Finance Expenses	28.36	11.08	0.52
Value of Collateral Needed for a Loan (% of the Loan Amount)	134.84	23.99	4.56
% of Firms Identifying Access to Finance as a	23.09	13.10	2.06

Major Constraint***			
Number of Power Outages in a Typical Month	4.75	2.36	-3.01
Value Lost Due to Power Outages (% of Sales)	2.67	1.20	-3.68
Delay in Obtaining an Electrical Connection (days)	39.43	43.80	-1.49
Average number of Incidents of Water Insufficiency in a Typical Month*	4.64	2.77	-4.28
Delay in Obtaining a Water Connections (days)	55.31	46.62	-2.86
Delay in Obtaining a Mainline Telephone Connection (days)	25.05	26.93	-2.19
% of Firms With Internationally-Recognized Quality Certification	17.86	7.19	-0.25
% of Firms with Annual Financial Statement Reviewed by External Auditor	50.08	29.42	-3.29
% of Firms Using Technology Licensed from Foreign Companies	12.04	3.95	0.63
% of Firms using its Own Website	55.42	21.61	-2.55
Average Time to Clear Direct Exports Through Customs (days)	5.63	3.55	-3.40
Average Time to Clear Imports from Customs (days)*	7.22	4.31	-2.55
% of Exporter Firms	28.86	23.60	8.17
% of Firms that Use Material Inputs and/or Supplies of Foreign origin*	53.97	18.65	6.52
% of Firms that Trade Identifying Customs & Trade Regulations as a Major Constraint***	14.33	9.41	0.00

XII. Case studies of enterprise convergence

1. The telecommunication sector

In 1997, the Kingdom of Morocco established an efficient and transparent legislative frame which provided the basis for the development of telecommunications networks and services and paved the way to the creation of the National Telecommunication Regulatory Agency (ANRT). Wana corp. is the third telecommunication operator in the country. It offers four main services: Internet connection, telephony services, mobile services and hosting services. They had been adjusted to converge with the standards of the European market.

Internet Services is mainly intended for a large population and companies. To be fully operational, internet services need many types of equipment. For that reason, Wana has opted to choose the same technology that the one used by many European telecommunication companies such as optical fiber and BLR (Boucle Locale Radio). Wana signed many contract with different international companies such as SFR, Alcatel, Orange and Cisco. The objective of those contracts is to align the offered services with the European telecommunication operators.

The penetration rate of the telephony and mobile services in Morocco is not very representative, the number of subscribers for mobile services do not exceed the 6% compared to more than 40% in Europe. Wana has chosen to develop these two services by the acquisition of the 3G and 2G licenses that are actually similar to the ones used in European country.

Hosting services are mainly targeting companies willing to outsource their applications in Wana's platforms. These services allow firms to concentrate on their main activities and outsource all the IT tasks to Wana. In Europe, those services know a great success in since the new trend is specialization.

Wana has adopted different practices in order to satisfy its customers and offer them high quality services. To illustrating this quality approach, Wana is willing to pay a penalty if it does not solve a costumers' request with respect to the deadline given. This policy applies to all the services Wana offers. The deadlines given by Wana are in conformity with the ones applicable in accordance with the European standards.

Wana has developed an operating network with many foreign telecommunication firms. The aim of those networks is to satisfy increasingly demanding costumers. Whether to please Moroccan customer or foreigners, roaming services have received the attention of Wana. Collaboration with foreign telecommunication operators allow Moroccan to use the firm's services abroad and permits to foreign firms' customers to conveniently use the services they were used to in their home country when they are in Morocco.

In order for Wana to be highly competitive in the Moroccan market and to have the same standards as European telecommunication companies in terms of infrastructure, it purchased the latest equipment from many constructors such as Cisco, Alcatel, Colt or HP. To be able to apply the same technologies that the one used by European telecommunication companies, Wana is in continuous consulting with Orange and SFR in order to buy the same inputs.

The corporate culture of Wana and its reputation at the national and international level receive positive feedback. In fact, a melting pot exists within the firm as experts and employees are coming from different origins. This diversification is a consequence of the recruitment procedures that the firm employs. In order to perfectly serve its costumers, Wana is looking for experienced people. The people that had previously worked in the telecommunication field whether in Morocco or abroad offer Wana the possibility of importing practices and knowledge from their employees.

In the same perspective and for a matter of quality service offered to its customer, Wana has put into action different training programs depending on the background of its employees: engineers working in the network department follow a technical training for the purpose of getting certified. Training programs are widely used in European market and Wana corp adopted this strategy for both employee's motivation and customer satisfaction. This strategy allows the firm to be competitive in the Moroccan market and overcome the problems related to the fact that it is the latest telecommunication operator that was created in Morocco.

Maroc Telecom

Introduction

As a developing country, Morocco's telecommunications sector underwent major reforms through its history. At the beginning, this sector was directly controlled by the Moroccan government through the Ministry of telecommunication and postal service and then from 1984 to 1998 by the National office of post and telecommunication. This era was known by extremely high bureaucracy and centralization of power, which had effected the rapid development of the sector and therefore the development of the whole economy and society.

In 1998, The ONPT divided into two separate entities, la Poste Maroc and Maroc Telecom. The latter becomes an independent public limited company owned 100% by Moroccan state. In 1999, the company acquires CASANET, the first internet provider in Morocco (menara.ma). In 2004, Vivendi Group took control of the company with 53% share of its capital. Part of this capital was introduced the same year in Casablanca and Paris stock exchange.

Today the company employs more than 14,000 employees and it has 8 regional delegations with 220 offices present on all Moroccan territory. In June 2008, Maroc Telecom reported 1671 Millions of mobile telephony customers, 1736 millions fixed line customers and 560 000 Internet customers.

Requirements of the European markets

The partnership with the VIVENDI group has brought to Maroc Telecom the experience of Europeans in the information and communication technologies. The European Market has introduced since 2000, new standards to recover from its failure in taking sufficient advantage of technological advances, particularly the ICT revolution. Europeans started to devote more resources to science and R&D. A key element in the European economic integration process is the continuous drive toward economies of scale through integration of costs and prices in an increasing competition.

What was known beneficial in the European market is the specialization because it leads to more efficient use of available resources. However, unless this has a positive effect on technological progress ("dynamic economies of scale"), it will not lead to higher growth in the long run. Today, international markets has brought evidence that what matters for growth and competitiveness is not so much increasing the degree of specialization in general but the ability to exploit areas of high technological opportunity which in recent years have been dominated by ICTs.

New Business challenges:

As a subsidiary of a European operator, Maroc Telecom has the obligation to follow the global strategy of the group, which is mainly about developing new services with the consulting of expert labor, improving quality, setting new standards, establishing a new organization, increasing employees' loyalty, lowering prices and penetrating new international markets:

NEW SERVICES:

After the success of the ADSL TV in Europe, Maroc Telecom was the first operator to launch the same service in Morocco, Africa and the Arab world. In 2008, Maroc Telecom introduced innovative and attractive new services. Starting from 3G+ Internet to offering video telephony service, which enabled customers to download data more quickly and improve the instantaneous and interactive aspects of their communications.

Another major part of Maroc Telecom success is due to its sophisticated infrastructure. The company has the most extensive and technologically advanced network infrastructure in Morocco. With its modern high-performance network, based on a fully meshed and secured fiber optic backbone, Maroc Telecom offers a wide range of high-quality telecommunications services (land-line, mobile, data and broadband Internet). In order to maintain a reliable leading-edge network, providing innovative new services to its customers, Maroc Telecom intends to proceed with its policy of investment in its network, aiming to develop capacity and coverage, introduce new mobile and fixed-line technologies, develop, build and strengthen domestic and international interconnections.

Internationally, with over 414 roaming agreements, Maroc Telecom’s customers have access to services in over 212 countries. This extensive commercial presence has been achieved through a direct and indirect distribution network of approximately 41,000 retail outlets licensed by Maroc Telecom.

LOWER PRICES:

In 2008, Maroc Telecom also included international calls to all landlines in Europe and North America in its contracts, at the same cost as a national call. At the same time, in order to make its services even more competitive and attractive to customers, Maroc Telecom has lowered the subscription costs of its international Mobile contracts. ADSL prices were decreased to consolidate the position of the operator, especially with the new offers of the competitors.

Are these new prices low enough? The introduction of competition has deeply participated in the reduction of telecommunication tariffs in Morocco, but comparing to the European prices which are moving toward free product concept; local prices are still very high. A Moroccan employee needs to work a hundred hours or more than two weeks to get a 20 MB connection without fixed telephony. In comparison, a French employee can work about four hours or half a day to have a connection of 20M bps, in addition to unlimited phone to dozens of countries and channels Television.

PENETRATING NEW MARKETS:

Following the strategy of Vivendi group in conquering international markets, Maroc telecom built on its leadership position in telecommunications in Morocco to extend its expertise abroad. It has engaged in strategic partnerships, to participate in the development of the telecommunications sector in Africa. With its successful experience since 2001 with Mauritel, Maroc Telecom has taken in December 2006, the control of ONATEL in Burkina Faso and in February 2007 Gabon Telecom.

African markets are not the only target but also European ones. Mobisud, Maroc Telecom's mobile virtual network operator, was launched at the end of 2006 in France and expanded to Belgium in 2007.

STANDARDS:

Another important challenge was the certification of the entire activities, from marketing to after sales, installation and commissioning, billing and collection, and for all products and services offered by the company. Maroc Telecom has been certified ISO 9001 version 2000 in December 2004 for all its activities within a global quality strategy. This certification concerns the shareholders of the company, the social environment and the continuous trainings of all employees.

IMPROVING QUALITY:

To meet the needs of Internet users, Maroc Telecom more than doubled its bandwidth, taking international Internet to 24.8 Gbps at year-end 2007. In July 2007, Maroc Telecom started the commercial use of Atlas Offshore, a new underwater cable with a 40 Gbps capacity, extendable to 320 Gbps. Improving services quality was the key factor that encouraged the company to launch two months ago, the online payment system for all services offered.

GOVERNANCE AND MANAGEMENT

When Vivendi Group took control of Maroc Telecom, it has restructured the organization of the company to adapt to the global management and governance of the group. Maroc telecom became governed by a Supervisory Board and a Management Board. The Supervisory Board that determines Maroc Telecom's strategic orientations and monitors the management of the group by the Management Board. It meets two times a year The Supervisory Board has set up three divisions – the Services Committee, the Networks

Committee, the Administrative and Finance Committee. This new organization aims at promoting the exchange of best practices within the group in the areas of prevention and management of risks, and to provide support to subsidiaries in their ongoing efforts to improve risks management.

To serve a large number of clients all over the country, the company is organized into general and regional divisions based on its businesses and services. Its cores activities Mobile, Fixed-line and Internet operations are combined in its Services department and Support. This department includes also marketing division that takes in charge the promotion and development of existing add new products based related to its cores activities and type of clients. To be able to seize the opportunities made available by convergence and to be in a position to propose global and specific offers to different kind of customers, Service & Support department includes some customer oriented divisions such as Business customer, residential customer etc..

INCREASING EMPLOYEES' LOYALTY:

With more than 14,000 employees from different culture and mentalities, the big challenge that faces Maroc Telecom is the synergy among its different department and subsidiaries, During the last five years, the company has been facing a major incentive problem of employees' loyalty. Maroc Telecom has given much importance to the development of its business forgetting that the key element in this success is its employees. Almost hundreds of employees resigned to join competitors in the local market. This had a huge impact on the competitiveness of Maroc Telecom, particularly in the outcomes of the information and communication department. Today, a new human resources policy is being elaborated to overcome this obstacle and improve the company's image toward its collaborators. This new policy will need to be based on the recognition of employees' performance and their willingness in developing their own skills as well as the company's productivity and profitability.

COMPETITION

After years of monopolizing the telecommunication in the local market, today Maroc Telecom faces an intensive competition on the market, which may lead to a loss of market share and a reduction in Maroc Telecom's revenues. Three licensed operators are currently present on the Moroccan market for mobile and fixed-line/Internet telecommunications: Maroc Telecom, Meditel and Wana. On the mobile segment Maroc Telecom's market had significantly decreased from the introduction of Meditel in 2000 until 2005, and improved to 66.9% as at December 31, 2006 (3). The growth of competition among the three operators or with new entrants could result in a continued reduction in Maroc Telecom's market share, and in increased costs for customer acquisition and retention, which could lead to a reduction in Maroc Telecom's revenues and earnings. To overcome this, the company cut its prices and set up promotional offers (including customer subsidies) to anticipate and respond to competition.

EVALUATING COSTS:

As an IT services company, Maroc Telecom's main input cost of production are associated with human capital. The cost of infrastructures and their maintenance is considered as fixed cost in short run. In a highly promoting market, the company deeply relies on the effectiveness and skills of the employees. This skilled and trained labor is the driving force of the effective use of technology. Maroc telecom started to relate in its cost function of any product, the cost of continuous training offered to employees, who are supposed to improve actual product and service as well as innovating new utilities and optimizing the chain of production.

The chain of production start by prospecting new market segments and new projects, for that the company relies on several marketing and commercial teams; each one is specialized in a specific area and so a specific kind of business. For that the marketers rely on the considerable client database of Maroc Telecom which is well segmented under different profile. Then when the new product is ready to sell, the central commercial department takes in charge the communication and distribution of the new offer to all agencies in different region in Morocco. What is critical in this chain is the time constraint. Sometimes within one week, the marketing team along with the commercial team needs to work out a new product or promotion that will compete a new released product from a competitor. Example is when WANA introduced its 3 G offer; just three days after Maroc telecom launched the exactly same service, but two free months of subscription.

Market regulation

Market regulation is directly controlled by L'Agence Nationale de Réglementation des Télécommunications. Since the liberalization of the telecommunication sector, ANRT main missions are to:

- Create conditions for fair competition and ensure its continuation.
- Contribute to the development of legislative and regulatory framework for the harmonious development of the sector.
- Manage on behalf of the Government some scarce resources in the public domain.
- Support the development of the sector through training and promotion of research.
- Contribute to the dynamics of progress and development of the country.

Maroc Telecom Group becomes one of the leading telecommunications operators in Africa, serves more than 25 millions of customers on five countries and willing to become the first telecommunication operator in the whole continent. The group has diversified business activities offering a wide range of telecommunication services to its customers; these include mobile services, Internet services, data services, fixed line telephony services, DSL TV etc…

Today, the company continues to improve its commercial offering and introduce new service in order to retain existing clients and attract new ones. As a leader in the market, the firm must innovate constantly to adapt new product and services to its customers' demand. It also needs to improve the knowledge of its customers, adopt efficient cost system, optimize input combination, and adapt rapidly to technological change.

2. The food sector

AICHA® Company Description:

"Les Conserves de Meknès -AÏCHA®-" is located in Meknès, it was created in 1929 and was first specialized in the production and exportation of canned vegetables and fruits in syrup within a small factory of 400 m2.

In 1962 the company was bought by the Devico family, the actual owners, who restructured and modernized the factory. The company is part of the Devico group that operates in the food industry and that have complementary activities. In the food industry/ processing, there are seven factories: Les conserves de Meknes, Les conserves Nora, Marocâpres, Sofaco, Caprel, MCC Le Lion and Oleafood. In the Agricultural sector, we have SODEOM, Safiland and Devico Agricole. In the industrial sector there are two factories; Global Can Company and Globalitho. And finally the group has two companies specialized in the distribution of the different products of the group: COPRAM and AICHA US LLC.

Between the years of 1970 and 1976, the company went through a re-structuring era and has known a series of investments that aimed to a repositioning on the local market, by setting-up modern equipments and introducing new products. In fact, during that period Aïcha® introduced its famous tomato paste –which is the actual leader with more than 60% market shares- (Source: Nielsen), enlarged its Jam product line and developed a sophisticated oil work for extra virgin olive oil, endowed with five production lines .

In the scope of achieving diversification as a strategic advantage, Aïcha® invested in year 2000 in a sophisticated vegetable oil refinery conceived and installed by the Swedish constructor Alpha-Laval.

In 2004, “Les Conserves de Meknès-AICHA®” introduced the first Moroccan Light Jams developed in three flavors. Starting from 2007, the decision to develop new product lines is taken and the new tomato sauces are lunched; pasta and pizza sauces and Tajine sauces later in 2009. In the Jam category a mix of four fruits is launched to enhance the existing 15 flavors.

Today, “Les Conserves de Meknès - AICHA®” is present in the international market with a large variety of products. In addition to its actual product lines; jams, tomato paste, sauces and oils and white truffles, Aïcha® lunched a product line that is targeting exclusively the export market. This product line was developed in 2006, it includes natural and prepared olives, capers and caper berries, artichokes, preserved lemons and chili peppers, which are outsourced in Les Conserves de Nora and Marocâpres.

Regulations of the EU market:

Before integrating the European market, LCM-AICHA® gathered the needed information on the different functional regulations in the food industry. For strategic reasons, the group created a distribution subsidiary COPRAM, based in France which is specialized in importing and distributing the different products in the European market. This company has a quality intelligence unit in charge of getting informed and ensuring a follow-up of the different food regulations and requirements needed to commercialize safe and conform products in the EU market.

The food industry is heavily regulated given the obvious importance of producing healthy food. There are regulations about ingredients, additives, packaging and labeling that LCM-AICHA takes into consideration before introducing its products into the European territory.

Acquisition of inputs:

The Quality control department of LCM works in close collaboration with the purchasing department in order to select conform products. We can take the example of the fruit pectin that is used in the production of jams; suppliers are asked to deliver analysis certificates that prove that the product is respecting all requirements and that all additives that are used to produce the pectin are allowed by the EU legislation. The Quality control department has the responsibility of double checking and approving the analyses bulletins that the suppliers submit order to certify that no irregularities are present.

Acquisition of expert labor:

LCM employs skilled people that are specialized in their domains of activity. Weather in the production units, or in the laboratories and quality control or even in agriculture, the company has teams of engineers and biologists that are well experienced and who are considered as an important asset that contribute with their know-how to the success of the company.

Having good production infrastructures is not enough to produce high quality products that are marketable in the EU. Skilled labor is the key feature and an investment that allows the company to achieve effectiveness and efficiency.

Labor regulations:

The EU is very conscientious to the application of labor regulations in developing countries; goods that are not produced in conformity with the European regulation may be restricted from the market. Labor regulations are related to the forbidden child labor, the number of working/ overtime hours, minimum salary working hours, salary overtime hours and finally women night shifts-that is also not recommended.

Other regulations and working conditions are taken into consideration like worker hygiene, meaning that workers have to have clean toilets, drinkable water and so on. In addition to that, workers security is important, such as having escape map, emergency exits, extinguishers and empty and clean walking areas in the factory. The last and important issue is health, and the necessity of having protective gears for workers and first aid kits.

Thanks to the certification that the company obtained, LCM proceeds annually to several audits and controls that allow her to be in conformity with these regulations and avoid any irregularities vis-à-vis the EU requirements.

Production:

In order to meet all the requirements of the export market, the implication of the different actors of the process is essential and crucial.

The production process is one of the most important processes since we are dealing here with consumption products.

The infrastructure of the factory which is endowed with sophisticated materials allows a close production circuit, which minimizes the risk of contamination by foreign bodies or any other contaminations.

All productions are closely and rigorously controlled at every single step by the quality control staff and the production control laboratory in order to end up with soluble and healthy products.

Quality and standards:

In order to meet the international quality requirements LCM is certified ISO 22 000 (food safety management standard) and ISO 9001 (quality management system). The certifications that are in progress are IFS (International Food Standards), the BRC (The British Retail Consortium).

In addition to that, the company has two integrated laboratories, one for canning and another for refining units that take care of controlling and analyzing the manufacturing processes. Both laboratories work under the quality control laboratory, that centralizes information, and which is certified ISO 17 025 that gives it the authority to deliver official bulletins.

Marketing:

The marketing department works in close collaboration with the top management in order to define international objectives and draw the appropriate strategy for the label AICHA.

The marketing team gathers the needed information on the EU packaging and labeling regulations in order to make the appropriate adaptations.

Import:

It is not always sure to find on the local market adequate or specific raw materials that correspond to European regulations and standards. That is why LCM tends to import these materials mainly from Europe. Even if the cost of these imports is higher than local supplies, the company cannot act differently as of the high risk of being excluded from the European market for unconformity.

Factory maintenance, replacement or installation is performed by the skilled people of the different foreign suppliers. That is why the AICHA imports services related to expertise from machinery constructors.

Export:

There are other requirements about the logistics that must be taken into account; specific custom documents (EUR 1) have to be delivered by the company. Furthermore, and for the success of the export transaction the company needs to have a certification of sanitary conformity, as well as the approval of the EACCE that should approve the conformity of the products to the export market.

Management:

The top management is targeting larger opening to the international markets and the establishment of its brand image with the reputation of high quality Moroccan products. That is why the top management is investing in strong and good quality infrastructures and applying international quality standards. In addition to that, the company is adopting strategies that achieve proximity to the consumers to better understand their needs and adapt quickly to market changes along with innovation by developing new and differentiated products. LCM management is based on a participative decision making that values the input of its qualified labor and gives an added value to the whole company.

Governance:

LCM is a family owned company meaning that ownership and the control are not separated which reduces conflicts about decision making. The main goal is profit maximization and the CEO who takes the decisions that may influence risks and rewards. The CEO is handling top managerial tasks and decision making with the two General Managers (his sons).

COM 4 TRADE

Introduction

COM 4 TRADE is a company located in Tangiers and specialized in management of coffee shops and restaurants. With two cafes, two Italian restaurants, and one fast food restaurant, the company is becoming a leader in the field offering a variety of goods and a quality of services. The objective of the company is to attract local customers as well as foreign customers providing them with different products for different types of cuisines.

Corporate Structure:

The corporate structure is divided into two levels of control. The first level is the mother company where all managerial and financial decisions are taken. The second level has all the profit centers that the company manages through a team of qualified managers. The Moroccan subsidiaries operate in a franchising framework for the region of Tangier – Asilah – Tetouan. One of the licenses is bought from the U.K. while the other two franchises represent local Moroccan licenses. The franchising framework is a good indicator for convergence of the local businesses toward European standards and requirements.

The relation with the local franchises follows the same patterns as the European ones with some slight differences in some cases. From the operations perspective, the Moroccan franchises have to ensure the same level of standards that are already in the contract. They must also use the same recipes and quality of ingredients so that the customer feels the same at every franchised store.

From the financial and marketing perspective, the deal with all franchisees is to pay royalties every quarter for a fixed percentage based on sales. The products and prices are set regardless of the targeted region. The local franchisees gave some flexibility in adding some new articles and modifying some of the prices in the menu. Nevertheless, any changes that have to do with the marketing mix (Place, Product, Price, Promotion) must fit to the standards and requirements of the franchise network.

For the growth plans, the will is to open more point of sales for current franchises. Yet, the design step of creating new franchise license for the concept has not started. This implies the setting of a predetermined rules and standards for quality and operations. The franchising framework will definitely encourage both local and foreign capitals to invest in existing franchises and even create other new ones.

Acquisition of input:

In cafes and restaurants, the menu has a large choice set for the clients. Each article in the menu has a variety of ingredients. As a result, a careful selection of inputs is required especially because of the perishable nature of products and the existence of large number of suppliers. The selection is mainly on, in order of priority, the quality, the price, the packaging quality, the date of production, the storage conditions, and the supplier reputation. Optimizing this set of criteria would increase the chance to offer high quality meals that are healthy, fresh, and tasty.

Storage:

The storage conditions must be respected in order to conserve the quality of the acquired inputs. Temperature, humidity, aeration, and lighting are the most common ambient factors that are respected for each single product. Also, the labeling and the maximum date of consumption are to be clearly labeled to avoid any type of food poisonning. The packaging conditions should stay as received from factory to keep the quality of stored items.

Expert Labor:

Expert labor has an important impact on the food sector. Hiring expert labor guarantees the same level of quality of products and services. Not only this, but what is required is the ability to ensure clean and natural meals. In addition, expert labor would let the clients enjoy new meals and desserts and experience the various types of cuisines. Especially for the Italian restaurants, Italian masters coming from Italy to give the best Italian cuisine experience to our clients was mandatory.

Quality and standards:

In order to ensure the quality of products, the best ingredients based on the selection process in input acquisition is applied. Besides, the use any kind of additives or chemicals is restricted. The products are kept fresh and natural for clients. A full control chain is available in the preparation zone. Fully equipped with stainless steel materials, the kitchen is the preparation and cooking place and respects all the standards for quality and professionalism. The reputation is based on a slogan: taste our meals, and feel like home.

Non-Smoking areas:

The non-smoking areas are one of the new requirements of the European Union markets. This requirement shows a respect for customers' preferences and habits while enjoying their meals. Indeed, a non-smoking area was created in the new Italian restaurant as well as the older cafes and restaurants.

Marketing:

In order to satisfy the maximum number of customers' needs, the products target several segments in the markets, following the European requirements. One example is the light product for people under diet or those suffering from diabetes. Another example is the kids' menus and gifts. In addition, the pricing policy targets the medium-high standing people, and for this reason, "what you pay is what you get policy" is applied. Still, the prices are set with regards to competitors in the regional market.

Management:

The management team concentrates on the control and performance of all the five point of sales. In terms of control, the management team controls the flow of inputs and outputs, supply and demand of merchandise, quality of goods and services, discipline and hygiene. In terms of performance, the management team measures the labor performance, capacity performance, and production performance.

In addition to the control and performance, the management team is responsible for several actions related to everyday management like public relations, supplier relations, solving problems, maintenance, advertising, and operations management.

Governance:

Governance mechanisms are built on modern Europeans models of governance. For instance, a two-level control structure exists. At the first level, the mother company, COM 4 TRADE, controls the cost centres and profit centres with the help of qualified management team.

The management team has three-level structure: at the first level is the top management, at the second level are the cost centres managers, profit center managers, accounting and financial managers, and at the third level the labor force. The management team has an increase in salary based on the annual performance. In addition, there is an incentive program based on individual performance for all labor force.

3. Consulting

NorthgateArinso

NorthgateArinso is multinational ICT Firm providing software HR Management Solutions for Big Companies. It is a model to follow for respecting EU markets expectations and regulations. NorthgateArinso operates in offshoring in many countries including Morocco. It has implemented very powerful processes and strict procedures within the corporate and throughout the subsidiaries in order to provide the best solution to its demanding customers.

Presentation of the Company

NorthgateArinso is a leading global Human Resources software and services provider offering innovative HR business solutions to employers of all sizes, including Global Fortune 500 companies and many Public Sector organizations. NorthgateArinso helps

HR executives optimize their HR service delivery through smarter process and more efficient technology, supporting key HR areas like workforce administration, payroll, benefits, recruitment, learning, and talent management. NorthgateArinso's 5,000 employees are dedicated to HR excellence through strategic business consulting, outsourcing services, systems integration and best-of-breed software solutions. The company is one of the 5 largest HR service providers globally and has offices in 31 countries on 5 continents. NorthgateArinso is uniquely positioned to help companies realize true HR value. It combines a focus on customer value with years of experience and has developed leading practices in Human Capital Management and technology deployment.

Requirement of EU Market

The goal of NorthgateArinso is to be the trusted partner of HR decision makers, by improving HR service delivery through smarter processes and more efficient technologies. One very critical aspect of trust beyond the quality of delivery is the confidentiality of data. NorthgateArinso deals with HR management: accessing, managing, and processing personal data of employees. To ensure customers of such confidentiality, SAS 70 certification has to be obtained by all subsidiaries of the corporate. This includes mainly ensuring security in workplaces (through personal badges for employees, access through badges or finger print and CCTV) and high availability and disaster recovery of data stores holding all customers information.

Marketing

NorthgateArinso bases its marketing on three different areas:

- Sponsoring: NorthgateArinso supports the most demanding competition in the world: triathlon. Just as NorthgateArinso has built its business model upon multiple key competencies – HR Software, HR Business Consulting, HR Outsourcing and HR Systems Integration – triathletes must be best-in-class in multiple demanding disciplines: swimming, cycling and running.
- References: Despite the awards earned by different institutions in the HR market, the main point NorthgateArinso sales department bases its arguments on is the customers' history and references. Having successfully served prestigious

international companies is very important in the eyes of a potential client especially when big names like Rolls-Royce, Shell, Cadbury-Schweppes, Computer Associates, and Airbus are in the list. It proves that the company is a trusted partner of HR decision makers and has been improving HR service delivery through smarter processes and more efficient technologies.

- Alliances: For the latest product proposed by NorthgateArinso as a global HR solution gathering all HR processes and corresponding utilities based on SAP, making alliances with SAP goes without saying. Furthermore, SAP will work its own marketing based on NorthgateArinso Euhreka product to try to sell more licenses. NorthgateArinso will thus benefit, besides its marketing, from the marketing of SAP and would reach easily new customers.

In some instances alliance partners work closely with NorthgateArinso to develop a closely integrated solution that delivers value to customers and works together to drive increased revenue and customer success. In other instances, NorthgateArinso and the partner will recommend solutions from partners to clients, or make introductions where appropriate. NorthgateArinso has a strategic relationship with Accenture, providing an integrated outsourced HR and Payroll solution to global clients.

Production

NothgateArinso focuses on providing state of the art technologies and solutions. For this matter, the premium goal is to understand the need of customers and provide suitable technical and functional solutions. The first step is taken by NorthgateArinso HR Business Consulting, which supports the customer in designing and implementing the "Best Fit" HR organization. The different components are tailored to the customer's specific needs and can be applied stand-alone or integrated in an overall HR Transformation project. In the majority of cases, HR functions implementation requires to go through the process of transformation. The main driver being the need to allow a more strategic focus on talent management and organizational capability while controlling the costs. Hence, the overall goal is to increase Human Resource's value towards the costumer's business in terms of effectiveness and efficiency and contribute to the company's competitive advantage.

The products' outstanding property is that they are provided with a robust and proved technology, and also that they are provided in different modes: Business Integration, Business process outsourcing, and SAAS (software as a service). SAAS provides a very agile way of configuring the software in a do-it-yourself manner. This creates a huge appeal in the market since it is the first full HR Solution to be provided in such a mode which only requires a monthly fee and not a multiple year contract.

Acquisition of input

NorthgateArinso is present in variety of countries offering different levels in human capital. The company capitalizes on this situation by looking on the best way to consider its branches to better serve the customers, reduce the cost, and thus maximizing the profits. NorthgateArinso has chosen to classify its business units as:

Cost Centre: There are some significant advantages to classifying simple straightforward divisions as cost centres, since in this manner, cost is easy to measure. This assignment is usually linked to the off shoring or near shoring subsidiaries.

<u>Off shoring:</u> NorthgateArinso treats the off shoring of its processes "internally" which means that it owns the affiliates in the other countries that takes care of the off shoring activities. Usually, the company off shoring activities require less talented persons. But the cost being low, it offers the possibility of hiring larger number of employees with higher competences. It chose the countries in which to invest the off shoring activity based on four criterions: cost, quality, efficiency and closeness to a specific market (time and space). The company offshoring activities are now taking place in Manilla (Philippines), Kuala Lumpur (Malaysia), and Buenos Aires (Argentina)

<u>NearShoring:</u> Off shoring is called near shoring when its location is less then three hours time difference. The difference does not lay only in the distance, but also on the type of process outsourced and the way the different subsidiaries interact. From a practical perspective, near shoring will require more qualified labor since it will mainly work as a delivery center with a close collaboration with the employees from the profit centre. Hence, the attributes on which a near shore centre will be taken into consideration are cost, quality, efficiency, closeness to a specific market (time, space, and culture) and

distance from the profit center holding the project. The company nearshoring activities are now taking place in Casablanca (Morocco), Krakowska (Poland), Granada (Spain).

Profit centres are parts of a corporation that directly add to its profit. A profit centre manager is held accountable for both revenues, and costs (expenses), and therefore, profits. What this means in terms of managerial responsibilities is that the manager has to drive the sales revenue generating activities which leads to cash inflows and at the same time control the cost (cash outflows) causing activities. This makes the profit centre management more challenging than cost centre management. Profit centre management is equivalent to running an independent business because a profit centre business unit or department is treated as a distinct entity enabling revenues and expenses to be determined and its profitability to be measured. Business organizations may be organized in terms of profit centres where the profit centre’s revenues and expenses are held separate from the main company's in order to determine their profitability. Usually different profit centres are separated for accounting purposes so that the management can follow how much profit each centre makes and compare their relative efficiency.

Regulations

Being a subsidiary of the corporate, the company in Casablanca has to follow all internal regulations adopted at the corporate level, especially for HR and talent management. For instance, the regulation of corporate indicates that all cleaning services should be out gone through a separate outsourcing company. The cleaning lady cannot be an employee of the company. Another example is talent management procedures. An evaluation system is set to allow managers and employees to set objectives, assess previous work, and open discussions about any relevant issues. The evaluation is scheduled twice a year to follow up more closely the progression of employees and detect possible problems if any.

The different units of offshore are created according to the local law, and thus have to adopt those. In Casablanca for example, the Moroccan law is applied forcing the company to follow certain regulations that are not adopted at the level of the corporate or the other units around the globe. An example of such regulations are: legal salary increase, election of delegates for employees according to the number of employees, the number of leave days per month worked, and everything related to the Moroccan work law.

Quality

With over a decade of HRO experience, NorthgateArinso has proven the people, processes, technology, experience, knowledge and best practices of re-engineering for maximum efficiency. NorthgateArinso provides a full range of HR business process outsourcing (HR BPO) solutions that are flexible, scalable, integrated and truly global. NorthgateArinso offers HR Outsourcing in different flavors, following a 4-tiered service delivery model. All HR solutions are following the best practices through the whole life cycle of a project.

Standard: Consistent controls for HR Excellence

NorthgateArinso constantly audits its HR outsourcing and payroll services following the SAS 70 audit methodology. The SAS 70 audit process helps NorthgateArinso in its strive for rendering high quality services efficiently to its clients. Sarbanes-Oxley and similar regulations require corporations to audit internal controls of their suppliers, including those that provide HR outsourcing and payroll services. By undergoing the SAS 70 audit, NorthgateArinso can provide its HR outsourcing clients with an audit report on payroll processing controls that facilitates compliance with these regulations.

Industry acknowledgement:

- Certified SAP BPO Provider
- Winner of the SAP Pinnacle Award for Business Process Outsourcing 2008
- Winner of the SAP Pinnacle Award for Global Customer Satisfaction 2006
- Ranked as ‘Visionary’ by Gartner in recent HR Outsourcing research
- Ranked as top 6 player by HRO Today globally
- In 2008, NorthgateArinso was named ‘major outsourcer of the year’ by the UK’s Institute of Payroll Professionals (IPP)
- IS27001 and IS09001 certifications and subject to SAS70 controls

4. Capital markets

Maroclear

Presentation of the company

Maroclear is held by the Moroccan State and the main users of its services are governmental institutions such as banks and the Moroccan Central Bank along with insurance companies, CDG and Casablanca Stock Exchange.

Maroclear offers to its members a wide range of integrated services including the conservation of their assets, the management of their security accounts and administration of securities. It is also responsible for the system of settlement /delivery and the management of all systems that allow the validation of transactions and their preparation for settlement.

In pursuing its development at a progressive pace, Maroclear has gradually expanded its services and has managed to position itself at the heart of the securities industry in Morocco as an enabling environment for market growth, safe, efficient and at the service of all security professionals.

Meanwhile, Maroclear keeps adjusting itself to the Moroccan financial market and its continuous development, but it also manages to learn from the European market, to communicate with it and to develop different kinds of relationships with the members of the European Union markets.

Adjusting to the requirements of the European Market

It is worth mentioning that upon its creation back in 1997, Maroclear inherited many techniques from its 'godfather' Euroclear, which is one of the main Central Depositories in France. The first business procedures and technical tools were provided by Euroclear to Maroclear. Moreover, the operations and technical staff of the new born Moroccan Central Depository were trained by business experts from Euroclear. This partnership did not vanish over time, it has kept growing. Maroclear maintains a privileged partnership with Euroclear France, and continuously manages to converge to Euroclear's model. More generally, as the Moroccan financial market keeps growing, Maroclear manages to adjust its practices to the requirements of the European Market through developing relationships with international organisms in the field of securities conservation and by looking forward to acquire the best standards and certifications in the market. Besides, a number of Moroccan securities are now being traded in European stock exchanges, which makes it necessary for the Moroccan Central Security Depository to stay close to the European Markets.

Relationships with foreign bodies

In order to stay abreast of trends in the field of securities conservation, consolidation and settlement, and to keep in contact with its foreign counterparts, Maroclear joined in 2002 two international bodies that maintain authority: "ANNA" and "ISSA". Composed of over 60 members, mostly central depositories, the Association of National Numbering Agencies (ANNA) was established in 1991 with the main objective of setting international standards for the consolidation of securities. The International Securities Services Association (ISSA), was founded in 1979 at the instigation of Citibank, the Deuche Bank and the 'Union des Banques Suisses'. It now has more than 100 members, mainly of central securities depositories and large international banks among the most active in the securities markets.

Acquisition of Inputs

As Maroclear is a service company, rather than a production firm, it does not require tangible inputs like raw materials or machines. Its only inputs are labor and capital, which consists of the technological tools that are used by the employees. To satisfy its input needs, Maroclear relies entirely on the local labor market. All of its managers and employees are Moroccan. The company has its own building constructed using its own resources. Thereafter, Maroclear has no interactions with European market in terms of acquisition of inputs.

Acquisition of Expert Labor

As mentioned earlier, Maroclear does not rely on any foreign market as far as acquisition of labor is concerned. However, it is worth mentioning that upon its creation, the company relied a great deal on foreign expert labor, mainly provided by Euroclear France. The French central depository was way too advanced in the securities market than the Moroccan central depository. Besides Maroclear, is up to now the unique Central Securities Depository in the country, which explains the fact that all the expertise that is needed have to be acquired from Europe and more specifically from France.

Labor regulations

As far as labor regulations are concerned, Maroclear's activities and responsibilities are set by law and by the General Regulations of the firm that are approved by the Moroccan ministry of Finance. There are also instructions and procedures set by the controlling agent CDVM that are followed and respected by the depository.

If we consider that all those organisms which contribute to the establishment of the company's regulations are constantly observing and looking after the best practices adopted by the international finance institutions and security business experts, we can conclude that there is certainly an impact on Maroclear's performance.

Besides, the company's top managers constantly attend international seminars, trainings and other international events, some of which deal with the latest practices in security depository activity regulations. This also has an impact on the development of Maroclear's labor and activity regulations.

Production

The production of Maroclear is nothing but the variety of services that it provides to its customers (usually referred to as members or partners). As some of these partners are foreigners and more specifically from the European Union, starting by Euroclear, the company constantly manages to adjust as much as possible to the requirement of the EU market, through adjusting its processing mechanisms, its conditions of treatment, and sometimes even its operating hours in order to fit the foreign context, under specific circumstances.

Besides, as some of the Moroccan securities are now being traded in European stock exchanges, all the transactions involving those securities have to pass through Maroclear, in one way or another. This implies that the services that the company provides to its foreign counterparties have to be at the level of international standards and practices. In order to meet this requirement, Maroclear has set its processes according to the expectations of the European Market. Many aspects of its activity, just like receipt and processing deadlines, file exchanges, business calendars, matching of transactions, routing of information and others have been set in a way to fit the Moroccan market as well as the EU market.

However, Euroclear has developed new segments of the depository business that are not yet used in the Moroccan security market, such as Securities Lending & Borrowing processes, the market of derivatives, and cash accounts management by the central depository.

In the medium to long term, Maroclear is willing to implement some of those features of the business that are adopted by its EU partners. However, these decisions are hard to implement and may have several implications with regard to the company's status, responsibilities, management, regulations, and operating processes.

Quality & Standards

During the last years, Maroclear has been trying to follow the path of Euroclear to guarantee the quality of its services, by applying the highest standards like ISO 15022 for message exchanges.

Besides, its membership to the Association of National Numbering Agencies (ANNA), and the International Securities Services Association (ISSA), makes the company forced to meet the main objective of the two organisms, which is mainly following international standards for the consolidation of securities.

Moreover, as part of the periodic assessment and control process of Maroclear, the financial statements of the company are audited by "Price Waterhouse Coopers" as the external auditor and are also subject to quarterly audits by KPMG. Those companies are two of the largest European auditing service firms that are operating worldwide.

Marketing

In the case of Maroclear, it is hard to talk about any type of marketing. Although the company is a private limited company, it is under the Ministry of Finance, which makes it at the same time similar to a public institution. The company does not have a marketing department. Its customers are not there by choice. It is the only Central Security Depository in Morocco, which makes all the financial actors (banks, insurance companies, brokers, exchange, ect.) by default its clients or partners.

Management & Governance

Concerning the internal management of the company, I would say that it does not worry about the requirements of the EU market. The management is something which is proper to the company itself, its owners (shareholders) and managers. Just like any private limited company (S.A), Maroclear follows the internationally known organization of private limited companies. It has a board of directors which represents its shareholders. This board is responsible for appointing the top managers of the company. In this process no interactions or adjustments are made to fit foreign markets. However, some of the shareholders of Maroclear, like Attijariwafa bank, BMCI or Crédit du Maroc are themselves owned partially by some foreign corporations (Ex: BNP Paribas, Crédit Agricole France, Groupo Santader, etc). As a result, some of the decisions concerning the company which might be presented and approved by this category of shareholders can be, in one way or another, influenced by the practices and interest of those foreign corporations.

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APPENDIX 1: DOING BUSINESS DATA AND RESULTS

	Countries							
	Morocco	Algeria	Egypt	Greece	Ireland	Poland	Romania	P
Average Time to Clear Direct Exports Through Customs (days)	1.81	14.14	6.40	5.47	2.62	6.29	2.01	
Average Time to Clear Imports from Customs (days)*	3.75	16.81	8.73	5.86	3.15	9.52	2.47	
% of Exporter Firms	89.82	5.17	31.54	19.23	33.27	21.74	10.09	
% of Firms that Use Material Inputs and/or Supplies of Foreign origin*	92.43	71.77	49.18	51.04	64.34	45.78	51.78	
% of Firms that Trade Identifying Customs & Trade Regulations as a Major Constraint***	14.34	36.13	23.53	5.50	6.07	10.30	16.07	
% of Firms expressing that a Typical Firm Reports less than 100% of Sales for Tax Purposes	..	..	34.76	53.19	28.78	..	..	
% of Services Firms Competing Against Unregistered or Informal Firms	47.68	66.84	..	..	..	32.73	35.14	
% of Firms Formally Registered when Started Operations in the Country	86.02	98.32	17.41	..	..	99.25	98.71	
Number of years firms operated without formal registration	0.21	0.04	16.15	..	..	0.02	0.11	
Senior Management Time Spent in Dealing with Requirements of Government Regulation (%)	11.37	25.06	..	1.80	2.33	12.82	9.20	
Average number of visits or required meetings with tax officials.	0.99	2.27	3.51	1.66	1.32	0.59	2.33	
% of Firms Identifying Tax Rates as Major Constraint***	55.74	46.69	49.51	27.54	17.43	58.52	64.19	
% of Firms Identifying Tax Administration as Major Constraint***	17.03	30.41	35.27	22.80	15.56	26.51	48.79	
Days to Obtain Operating License	3.43	19.30	81.52	..	..	14.64	23.71	
Days to Obtain Construction-related Permit	61.03	98.77	96.60	..	..	122.51	118.05	
Days to Obtain Import License	2.00	33.04	102.86	..	..	11.15	12.95	
% of Firms Identifying Business Licensing and Permits as Major Constraint***	9.32	25.93	10.86	7.74	6.43	21.54	29.89	
% of Firms Paying for Security	35.93	37.46	..	..	..	50.39	58.08	
Losses Due to Theft, Robbery, Vandalism, and Arson Against the Firm (% of Sales)	0.02	0.92	..	0.03	0.26	0.48	0.26	
Security Costs (% of Sales)	0.35	1.38	..	1.54	0.19	0.83	1.69	
Products Shipped to Supply Domestic Markets Lost Due to Theft (%)*	0.02	0.27	0.39	..	..	..	..	
% of Firms Identifying Crime, Theft and Disorder as Major Constraints***	3.40	20.74	..	5.24	4.81	22.85	29.89	

% of Firms expressing that a Typical Firm Reports less than 100% of Sales for Tax Purposes	..	..	34.76	53.19	28.78	..	..
% of Services Firms Competing Against Unregistered or Informal Firms	47.68	66.84	..	..	..	32.73	35.14
% of Firms Formally Registered when Started Operations in the Country	86.02	98.32	17.41	..	..	99.25	98.71
Number of years firms operated without formal registration	0.21	0.04	16.15	..	..	0.02	0.11
% of Firms With Female Participation in Ownership	13.12	15.03	20.89	24.41	41.59	47.91	47.93
% of Full Time Female Workers*	39.99	21.47	14.74	..	..	37.93	40.42
% of Women in Senior Positions*	8.31	5.74	1.28	..	..	13.21	11.71
% of Firms with Line of Credit or Loans from Financial Institutions	33.38	31.14	14.07	..	..	50.12	42.34
% of Firms Using Banks to Finance Investments	12.29	8.88	9.45	25.88	37.41	40.68	37.29
% of Firms Using Banks to Finance Expenses	30.20	28.60	11.26	26.25	46.12	..	..
Value of Collateral Needed for a Loan (% of the Loan Amount)	169.41	173.84	133.68	130.97	143.86	129.33	129.80
% of Firms Identifying Access to Finance as a Major Constraint***	31.60	50.09	25.03	14.84	7.40	22.01	36.91
Number of Power Outages in a Typical Month	2.50	5.11	8.65	..	..	2.28	4.20
Value Lost Due to Power Outages (% of Sales)	1.27	4.02	4.71	..	1.54	1.92	2.18
Delay in Obtaining an Electrical Connection (days)	18.84	49.10	142.68	7.01	28.32	82.97	42.00
Average number of Incidents of Water Insufficiency in a Typical Month*	0.89	9.45	4.01	..	..	4.21	4.14
Delay in Obtaining a Water Connections (days)	13.12	84.62	117.10	..	..	86.46	26.12
Delay in Obtaining a Mainline Telephone Connection (days)	6.41	40.77	85.50	6.74	18.64	54.33	15.46
% of Firms With Internationally-Recognized Quality Certification	17.28	4.98	19.98	11.72	17.17	17.29	26.13
% of Firms with Annual Financial Statement Reviewed by External Auditor	19.45	12.01	83.82	48.32	94.59	24.22	25.12
% of Firms Using Technology Licensed from Foreign Companies	12.83	13.51	8.05	..	..	6.39	15.91
% of Firms using its Own Website	38.02	33.05	37.19	..	84.83	64.50	35.35
Average Time to Clear Direct Exports Through Customs (days)	1.81	14.14	6.40	5.47	2.62	6.29	2.01
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