MOROCCO MOVES FORWARD ON AN ARDUOUS PATH – REFORMING ITS DOING BUSINESS INDICATORS

Philippe De Meneval, Youssef Saadani Hassan, Ali Al-Abdulrazzaq

Introduction: The 2012 Doing Business (DB) Report lauds Morocco as the country that has achieved the biggest improvement in its ranking in 2011. The acknowledgment of the country’s performance reflects a spectacular 21 place jump in its overall rank to 94, underpinning improvements and advances in four out of the 10 categories in the Doing Business Index:

1) Dealing with construction permits. Morocco made dealing with construction permits easier by opening a one-stop shop, reducing the time needed for obtaining permits from 104 to 97 days

2) Easing tax compliance. Morocco eased the administrative burden of paying taxes for firms by enhancing electronic filing and payment of corporate income tax and value added tax - time needed to pay taxes decreased by 34 percent.

3) Protecting investors. Legal protection of small investors in areas related to rules for disclosure, extent of director liability and ease of shareholder suits, is necessary for growth and capital formation. Morocco made progress in this area by passing legislation that allows minority shareholders to obtain any non-confidential corporate documents during trial.

4) Trading across borders. As result of streamlining administrative procedures, the time required to import and export was also reduced.

The other six categories in the index have witnessed some slippage during the year in review (see table 1), but not large enough to negate the positive impact of reforms on the composite index. Among the chief areas that have weakened in 2011 is the Starting Business category which slipped by 11 points (though expected to rebound in 2012 due to legislative reforms late last year). Note that that changes in ranking reflect both changes in domestic conditions and regulations and also changes in the positions of other countries comprising the index.

Box 1. What Are the Doing Business Indicators?

Doing Business ranks economies based on 10 indicators of business regulation that record the time and cost to meet government requirements in a number of areas that include starting and operating a business, trading across borders, paying taxes, and closing a business. The rankings do not reflect such areas as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates. The Doing Business project looks at domestic, primarily small and medium size companies, and measures the regulations applying to them through their life cycle. Based on standardized case studies, it presents quantitative indicators on business regulation that can be compared across 183 economies and over time. The first Doing Business report, published in 2003, covered 5 indicator sets and 133 economies. This year’s report covers 11 indicator sets and 183 economies.

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Evolution of the Business Environment in Morocco: Morocco’s DB improvement in 2011 reflects earlier measures that commenced in 2008, when the Government, with help from the World Bank, established a public-private coordination mechanism for business environment reforms. The World Bank worked with the Ministry for Economic and General Affairs (MAEG) to develop a framework and reform approach in line with the conclusions of a “Business Environment” Institutional Assessment of 2008, which identified, among other issues, inter-agency coordination as one of the key causes for the weak impact of some past reform efforts. This TA led to the establishment of the National Committee for the Business Environment (“Comité National de l’Environnement des Affaires” - CNEA), a public-private dialogue platform that periodically gathers key stakeholders around a common reform agenda. The Bank team also assisted the MAEG in building the capacity of the CNEA program management unit, and provided advisory services to the various working groups established by the CNEA.

The CNEA, which is chaired by the Prime Minister and with membership of key ministers, was entrusted with formulating the action plans for reform. The action plans are annual, prioritized, and combine both short term and long term projects. This mix was designed to help create reform momentum with quick wins, while launching longer term structural reforms. It also mixes reforms specifically impacting the Doing Business indicators with reforms not captured by Doing Business but nevertheless identified as relevant by local stakeholders.

In December 2009, the Government adopted the first reform Action Plan of the CNEA for 2010, comprising 14 selected projects structured around 4 pillars. The second CNEA action plan, approved in April 2011, added 2 more pillars and 4 projects. Reforms included in the first Action Plan of the CNEA made significant progress in 2010 and 2011, which were subsequently reflected in the 2012 “Doing Business” survey. Among the various projects launched with the CNEA in 2010 and 2011, many were completed, while several are in an advanced stage of implementation:

- **Eliminating minimum capital requirements for Limited Liability Companies (LLC)**: The Parliament approved in June 2011 a law eliminating the minimum capital required for starting a LLC (Societe a Responsabilitie Limitee - SARL) prepared by the Ministry for Industry and Trade.
- **Reinforcing the rights of minority shareholders**: The Parliament approved a modification to the law establishing commercial courts, with the aim of developing new court procedures enabling shareholders to have better access to company information.
- **Facilitating the paying of taxes**: The Ministry of Finance and the National Social Security Fund (Caisse Nationale de Securite Sociale - CNSS) developed on-line declaration/payment system that helped to facilitate tax payment.
- **Adopting a Unique Identifier Number for registering companies across databases**: The Cabinet approved the establishment of a unique identification number for companies, thus helping to streamline the registration and payment procedure of companies for local, corporate, social security and commercial taxes.

3 These pillars are: 1) Regulatory simplification; 2) Modernization of business law; 3) Improving commercial dispute resolution; 4) Facilitating access to land and construction permit; 5) Reforming the business environment at the regional level; and 6) Improving communication on business environment reforms.

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Table 1. DB Ranking of Morocco in 2011 and 2011 Reports

<table>
<thead>
<tr>
<th>Topic Rankings</th>
<th>DB 2012 Rank</th>
<th>DB 2011 Rank</th>
<th>Change in Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Starting a Business</td>
<td>93</td>
<td>82</td>
<td>+11</td>
</tr>
<tr>
<td>2 Obtaining Construction Permits</td>
<td>75</td>
<td>75</td>
<td>+1</td>
</tr>
<tr>
<td>3 Getting Electricity</td>
<td>107</td>
<td>102</td>
<td>+5</td>
</tr>
<tr>
<td>4 Registering Property</td>
<td>144</td>
<td>143</td>
<td>+1</td>
</tr>
<tr>
<td>5 Getting Credit</td>
<td>98</td>
<td>95</td>
<td>+2</td>
</tr>
<tr>
<td>6 Protecting Investors</td>
<td>97</td>
<td>153</td>
<td>+56</td>
</tr>
<tr>
<td>7 Paying Taxes</td>
<td>112</td>
<td>148</td>
<td>+36</td>
</tr>
<tr>
<td>8 Trading Across Borders</td>
<td>43</td>
<td>43</td>
<td>+5</td>
</tr>
<tr>
<td>9 Enforcing Contracts</td>
<td>89</td>
<td>87</td>
<td>+2</td>
</tr>
<tr>
<td>10 Resolving Insolvency</td>
<td>67</td>
<td>63</td>
<td>+4</td>
</tr>
<tr>
<td>Overall ranking</td>
<td>94</td>
<td>115</td>
<td>+21</td>
</tr>
</tbody>
</table>

2 Renamed to the Ministry for General Affairs and Governance (MAGG) since January 2012.
• **Simplifying and standardizing legal and administrative forms:** This long term project launched by the MMSP, aims to enhance transparency and reduce the discretionary power of the bureaucracy by designing user friendly forms, while allowing public services to improve service delivery and commit to quality standards (indication on delays, rights of appeal, exhaustive list of required documents, contact details of officials in charge).

Lessons of Reforming: The success of the reform program in Morocco demonstrates an important lesson. In many developing countries numerous ambitious reform agendas have faltered and failed to bring significant impact on the ground, often leading what is labeled as “reform fatigue”. This is not surprising, particularly in the field of Investment Climate, where laws, regulations and administrative processes governing the private sector form a complex web involving a variety of institutional bodies that include one-stop shops, commercial registries, tax and customs authorities, land titling organizations, commercial justices, etc. Modifying these involves efforts that require complex inter-agency coordination and public-private dialogue. Recent studies have demonstrated that, in addition to establishing a performing high-level decision-making body, successful reforms require the development of a full-fledged process with a dedicated team at the center of government and a structured dialogue mechanism with the private sector to coordinate reform activities and implementation.

In the case of Morocco, the establishment of the CNEA and the subsequent engagement of the Prime Minister and other key Ministers, has improved the ownership and the efficiency of the reform process and helped to ease internal opposition that might arise from various government agencies. The CNEA has attained its main objective by providing an efficient platform for coordinating public-private discussions. Technical working groups comprising public officials and private sector representatives met periodically to ensure that all selected projects made significant progress. Meetings of the technical committee of the CNEA were chaired every three months by the Deputy Prime Minister for Economic Affairs (MAEG) with strong - and sometimes vocal - participation from ministerial departments and private sector organizations. In view of its success, the CNEA was institutionalized through a Prime Minister Decree promulgated in October 2010. Other key success factors were the adoption of modern IT Technologies and E-government systems in tax and customs issues.

Conclusion: The success of the CNEA in implementing reforms over the last three years is likely to breed more success. The new government, formed in November 2011, declared renewed commitment to the CNEA, which is now recognized by various stakeholders as the legitimate focal point for business environment reforms. This achievement is expected to attract more support by the World Bank and other donors in the years ahead. There are still important challenges to the task of establishing a truly predictable and modern business environment in Morocco as indicated by its relative DB ranking, both globally and within the MENA region (figure 1). Among these challenges is a need to further update and simplify laws on competition, concession, the commercial code, collateral and bankruptcy and public procurement and to strengthen the capacity of various agencies for implementation. These reforms often take a long time as they extend over overlapping jurisdictions and agencies.

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