

AN EGALITARIAN MOROCCO WITH FAIR TAXATION

The gap between the richest and the poorest continues to grow. The world's richest 1% now have more wealth than the remaining 99%. Oxfam's analysis is compelling: although the planet is becoming richer overall, the majority of people's standard of living is not improving.

In its last report on global inequality, Oxfam found that in 2018 the wealth held by the planet's billionaires rose by 12%, equating to a cumulative daily increase of 25 billion dirhams, while the poorest half of the global population - 3.8 billion people - live on less than 55 dirhams a day. The result is that the 26 richest billionaires hold as much wealth as the poorest half of humanity.

Inequality undermines efforts to eradicate poverty, erodes social cohesion and poses a threat to the health of democracies. Fighting this scourge is one of the main challenges of our time. Far from being an inevitability, inequality can be combated by public policy measures. Oxfam promotes this by tirelessly denouncing the shortcomings of the current economic model: hundreds of millions of people live in extreme poverty while immense wealth is being concentrated in the hands of a small minority.

Our economies must be transformed to provide universal access to health, education and other public services. To achieve that, businesses and the richest individuals must pay their fair share of taxes. That will then make it possible to implement more redistributive policies and considerably reduce the gap between the richest and poorest, and between women and men.

INEQUALITIES IN MOROCCO: A BLEAK PICTURE

Morocco does not escape this global trend. Inequality in Morocco is particularly extreme and the current tax system does not support the redistribution of wealth. Over the last 20 years, the country has enjoyed strong economic growth and some progress has been made in reducing poverty, which is currently below 5%. However, the results would be much more positive in a context of inequality reduction. In fact, neither the ongoing growth nor the reduction of poverty have been accompanied by a narrowing of inequality. Indeed, Morocco remains the most unequal country in North Africa and is among the most unequal half of countries worldwide. In 2018, the richest three Moroccan billionaires alone held USD 4.5 billion, or 44 billion dirhams between them. The annual increase in their fortunes is equivalent to the consumption of the 375,000 poorest Moroccans over the same period.

Il faudrait **154 ans** à une personne salariée au SMIG pour gagner ce que reçoit en **1 an** l'un des milliardaires du Maroc



OXFAM

Numerous public policy guidelines have proven effective at reversing these trends. Whether it be investing in quality public services (particularly health, education and social protection), implementing fairer and more progressive taxation, ensuring access to decent work, fighting corruption and strengthening governance mechanisms and civil society participation, or combating gender and territorial inequalities, it boils down to political will and priorities.

Oxfam, which has been present in Morocco for 25 years, has made citizen participation its main lever to reduce socio-economic and gender inequalities through access to economic and social rights and a life free from violence for women, as well as better governance of socio-economic policies to guarantee equitable access to resources and services, especially for the most vulnerable. In partnership with Moroccan civil society organisations, the projects and programmes implemented target marginalised people with the aim of giving them the power to influence decisions that affect them and ensure that their rights are upheld to give them a better future.

The fight against inequality is at the heart of various challenges in Moroccan society, including social conflicts, radicalisation and insecurity, migration and human mobility, and governance. In October 2018, a debate about Morocco's development model was launched in a royal speech before the two chambers of parliament. Over the coming months, Oxfam will work with its civil society partners and the institutional actors concerned to make specific recommendations adapted to the Moroccan context.

In the lead-up to the Taxation Conference that will take place in Rabat on 3 and 4 May 2019, Oxfam would like to contribute to raising public awareness about the causes of inequality in Morocco and to place this subject at the centre of the debates on the reform of the tax system and the reflection on the country's development model, advocating for fair and equitable taxation, decent work for young people and women, and urgent measures to reduce gender inequalities and territorial disparities.

The fight against inequality and poverty must be at the heart of all public policies and actions in Morocco and must lead the government to adopt an urgent plan of action. Therefore, Oxfam in Morocco would like to make more precise recommendations regarding taxation aimed

at reducing inequalities, as a contribution to the political and public debate that will take place:

1. Develop a national plan to combat inequality

- Adopt an ambitious, quantified target for reducing inequality by 2030 within the framework of the Sustainable Development Goals (SDGs).
- Produce regularly updated and publicly available statistical data on income disparities and the concentration of wealth (beyond consumption).
- Take urgent, concrete measures to redress regional disparities and gender inequality, and improve governance at all levels.
- Improve primary income distribution by applying a **“1 to 20” type rule between the highest salary and the median salary in the public administration**, as well as establishing rules of good conduct and possibly incentives (fiscal or otherwise) to encourage the private sector to rally behind this issue.
- **Launch a plan to formalise economic activity** by more clearly highlighting the advantages: social welfare, preservation and transfer of pension entitlements when changing jobs, tax simplification measures, measures to improve access to credit, etc.

2. Promote fair taxation that contributes to reducing inequality:

- **Improve the progressivity of the tax system as a whole**

- For income tax, introduce new tax brackets to shift fiscal pressure to those with the highest incomes and ease the pressure on the lowest income brackets.
- **Introduce progressive taxation of assets held and passed on**, in order to reduce intergenerational, gender and wealth inequalities.
- **Introduce a gendered analysis of all taxes to contribute to reducing inequality between women and men.**
- **Broaden the tax base** to make the contributions of all the country's economic actors fairer
 - Increase the effective contribution of corporate tax. Large companies must pay their fair share of tax, bringing their tax contributions in line with their real economic activity.
 - Review the functioning of harmful tax practices (fiscal conditions and functioning of offshore areas, etc.). The Moroccan State must not forego precious fiscal resources for the sake of economic attractiveness.
 - Reduce the numerous exemptions currently in place, only keeping those that have a social impact, based on a cost-benefit analysis and a transparent process over a predefined time period.
 - Integrate various economic sectors and professions into the scope of taxation, particularly agriculture and real estate which favour large owners and perpetuate the rentier economy to the detriment of productive activities that create jobs.

- **Make the fight against tax avoidance and evasion an absolute priority**
 - **Improve the VAT refund system** by further simplifying the procedure, making it transparent and reducing the processing time of taxpayer's returns **to avoid cases of abuse or fraud.**
 - Strengthen arrangements to prevent tax avoidance, strengthen control mechanisms, and draw up an ambitious and objective list of tax havens, accompanied by sanctions.

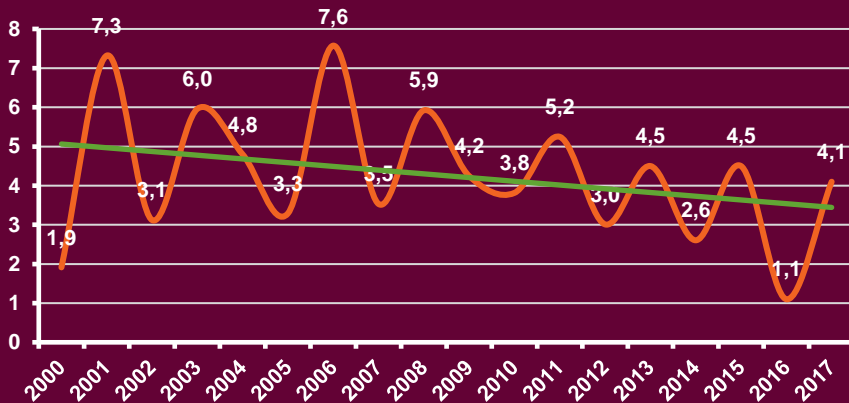


MOROCCO FACES HUGE INEQUALITIES

IN MOROCCO THERE IS HIGH, MULTIDIMENSIONAL INEQUALITY, WHICH IS DIFFICULT TO REDUCE

Over the last 20 years, Morocco has enjoyed strong economic growth. Between 2000 and 2017, average annual GDP growth was 4.4%¹, while per-capita GDP grew by 3.1% a year². Although this growth is gradually slowing down (see Figure 1), it has made it possible to significantly reduce poverty in the country, demonstrating how, through specific programmes and resources, such as the National Human Development Initiative (INDH), the will and commitment of politicians and public officials can bring about positive changes.

Figure 1: GDP growth rate

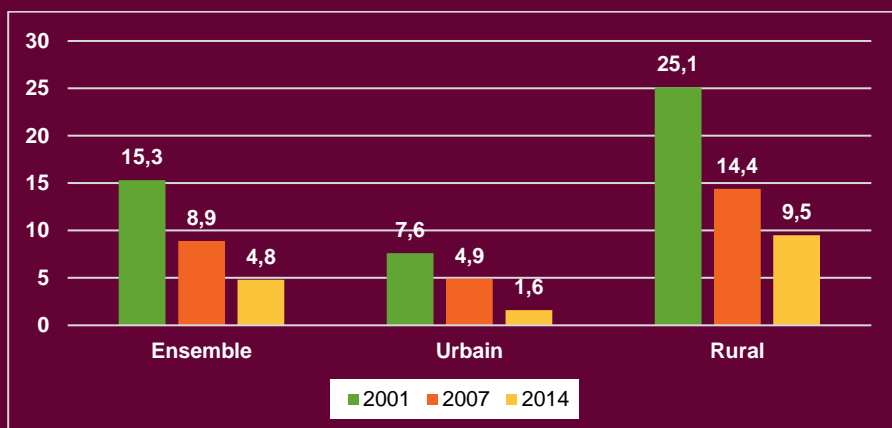


Source: High Commissioner for Planning

The impact of economic growth on poverty reduction has been rising: 1% growth enabled a poverty rate reduction of 2.3% in 1985, 2.7% in 2001, 2.9% in 2007 and 3.6% in 2014³⁴.

Based on the household surveys conducted by the High Commissioner for Planning (HCP), the poverty rate⁵ rose from 15.3% in 2001 to 8.9% in 2007 and to 4.8% in 2014 (see Figure 2). However, the majority of these surveys and statistical data focus on financial aspects rather than adopting a multidimensional approach. The first **multidimensional poverty mapping exercise was carried out in 2014**⁶, integrating the degree of actual accessibility to fundamental human rights, particularly health, education and certain basic services (electricity, drinking water, etc.), based on an analysis of the consumption expenditure of Moroccan households. The number of people below the poverty threshold decreased from 4,461,000 in 2001 to 2,755,000 in 2007 and 1,605,000 in 2014. While income poverty has been practically eradicated in urban areas, almost one rural inhabitant in ten still lives in poverty.

Figure 2: Poverty rate according to place of residence (% of the total population)

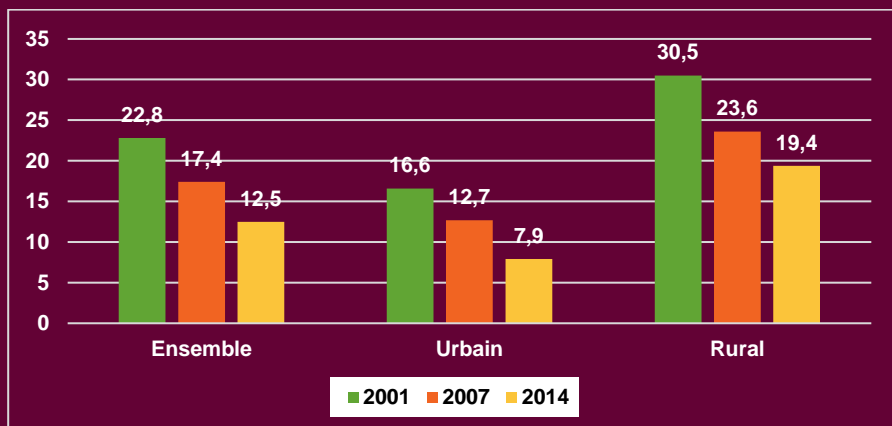


Source: High Commissioner for Planning

In particular, the poverty rate is a restrictive concept that does not take into account the fragile population just above the poverty threshold⁷.

However, the safety net for those households, which is just above the income poverty line, would not enable them to cope in the event of even a small economic or social shock, and they face a significant risk of eventually sliding into poverty. As a result, they remain vulnerable households, falling within the bracket of the population whose per-capita consumption is between the poverty threshold and one and a half times that threshold. This is a more appropriate indicator for measuring the share of financially vulnerable households (see Figure 3). **One in eight Moroccans nationwide are deemed to be in a position of vulnerability, with this figure rising to almost one in five in rural areas⁸.**

Figure 3: Level of vulnerability according to place of residence (% of the total population)



Source: High Commissioner for Planning

The boycott movement against three common consumer brands begun in March 2018 in Morocco shows how exasperated much

of the population is with the high cost of living. This unprecedented movement aims to challenge the high cost of living and the mixing of politics and economics,⁹ as these brands are owned by people in power or close to power. An inquiry ordered by the Moroccan parliament considered that the State's disengagement concerning subsidies for the hydrocarbons sector through the Compensation Fund led to a large increase in prices and, consequently, in the profit margins of the distributors. An unofficial version of the report cited an annual margin of 7 billion dirhams and, in some cases, a 900% increase in the net profits of oil companies from 2015 to 2016¹⁰. While the State has benefited from liberalisation, which has generated savings for it, consumers have been heavily impacted by the rise in prices.



Photo credit: Younes Atassi | Oxfam in Morocco

MOROCCO, THE MOST UNEQUAL COUNTRY IN NORTH AFRICA

In terms of income distribution, Morocco is the most unequal country in North Africa and is among the most unequal half of countries worldwide. Neither the sustained growth of the last 20 years nor the progress made in terms of poverty reduction have been sufficient to change this. Moreover, the rise in inequality represents a risk to continuing the fight against poverty.

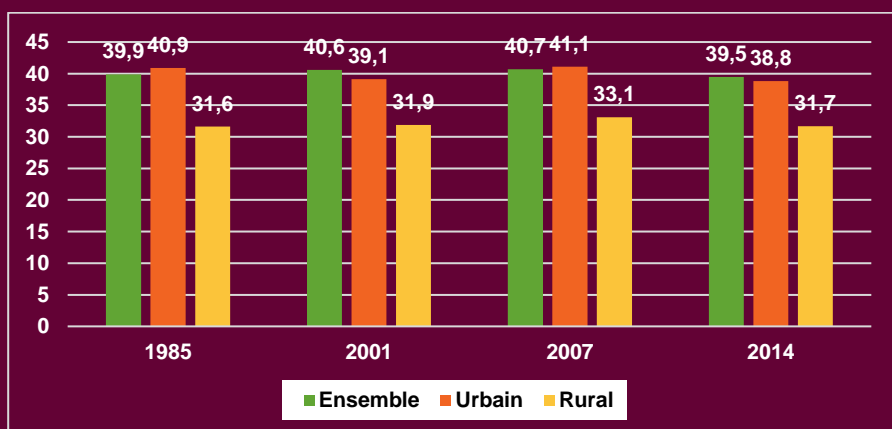
Indeed, economic growth and increases in wealth seem to only benefit a small number of already very affluent people: **three Moroccan billionaires alone have USD 4.5 billion (44 billion dirhams) between them. Their wealth is so great that the growth in their fortunes is equivalent to the consumption of the 375,000 poorest Moroccans over the same period¹¹.**

The most recent household consumption surveys available show that there has been no increase in the proportion spent by the poorest people. The relative reduction in the wealth gap, measured by consumption levels, would appear to be mainly due to a slight decrease in the share of spending by the richest households in total spending.

The spending of the 5% poorest households as a share of total spending remained at 1.1% in 2007 and 2014¹². Meanwhile, the share of total spending of the 5% richest households decreased slightly, from 22.5% in 2007 to 21.1% in 2014. Similarly, the share of total spending of the 10% poorest households, which was 2.6% of total spending in 2007, accounted for 2.7% in 2014. Meanwhile, the spending of the 10% richest households as a share of total spending dropped slightly from 33.1% in 2007 to 31.9% in 2014.

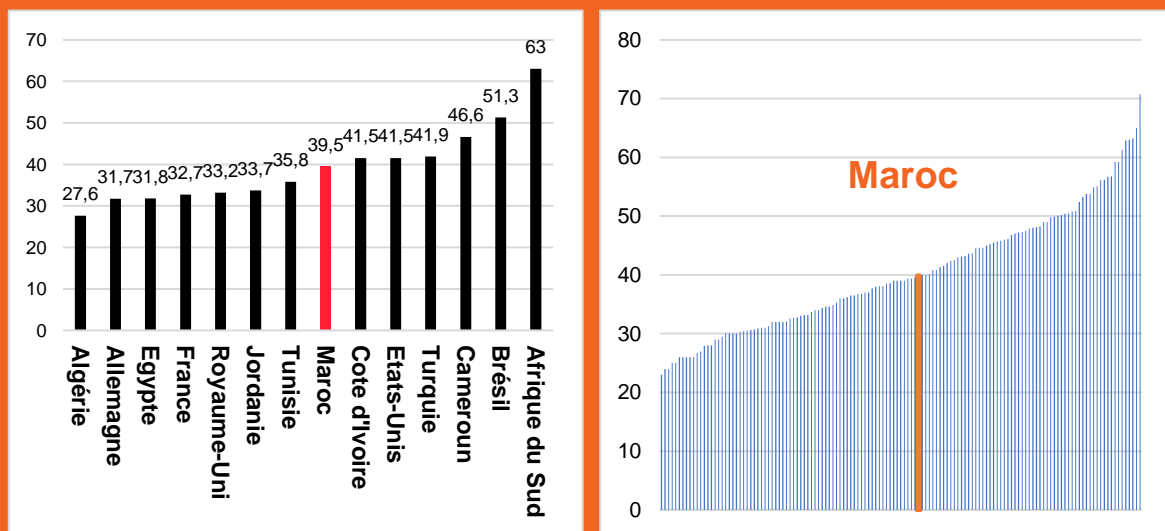
These changes are reflected in the change in the Gini coefficient, 13 a summary measure of income inequality, which has barely decreased since 1985, from 39.9 to 39.5 (see Figure 4).

Figure 4: Gini coefficient according to place of residence



The progress made in the fight against inequality in Morocco has therefore been minimal. The Kingdom remains the most unequal country in North Africa and is among the most unequal half of countries worldwide (see Figure 5).

Figure 5: a. Gini index¹⁴ for Morocco - comparator countries.
b. Gini index¹⁵ for Morocco - global distribution



Source: World Development Indicators, World Bank; IHECS 2009, most recent data available.

The persistence of these inequalities is particularly due to a primary income distribution that suppresses wages. Indeed, an analysis of added value reveals that the remuneration of capital is favoured over the remuneration of labour: between 1998 and 2016, on average, wages accounted for 30% of added value, while profits

accounted for 60%¹⁶¹⁷. By way of comparison, the proportion for wages is 48% in Turkey and 58% in France. Morocco is one of the most unequal countries in this respect.

A LACK OF TRANSPARENCY OF STATISTICAL DATA

Numerous methodological limitations cast doubt over the stability of statistics regarding inequality in Morocco. Using consumption instead of income makes it harder to get a clear picture of wealth gaps. The income of the richest people is not fully reflected due to: a tendency to under-report in statements, particularly concerning conspicuous consumption, travel or the accumulation of (fixed or movable) assets, and their ability to save a significant part of their income; the fact that some of their spending is abroad. Given the political importance given to countries' results in terms of reducing poverty and inequality, improvements must be made to the information and transparency in the compilation and use of data by the High Commissioner for Planning.

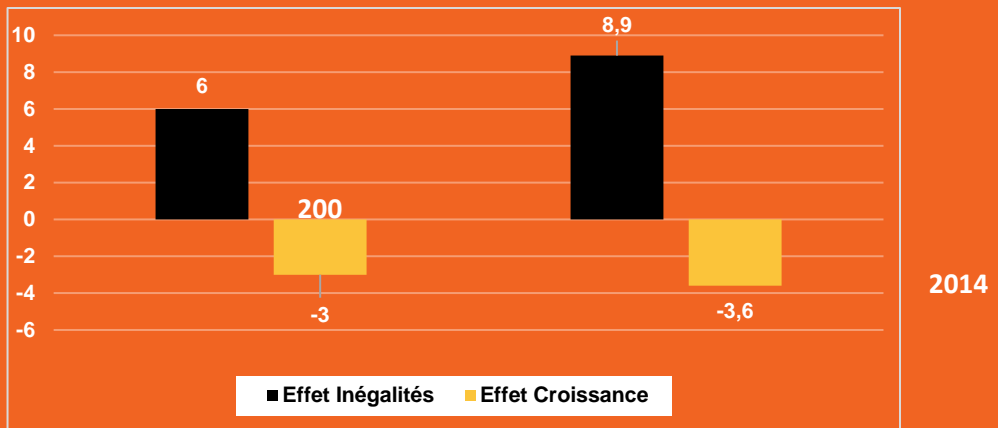
Finally, **the income inequalities used by the Moroccan authorities and international organisations do not take into account inequalities in terms of assets.** Brought to light particularly by the work of Piketty on global inequality¹⁸, overall wealth inequality is much more pronounced than inequality resulting from income alone. In Morocco, no data are available on this question, which means that one of the most critical aspects of the dynamic of inequality cannot be analysed. In addition, the lack of data disaggregated by gender concerning poverty and inequality, and measurement of the current level of poverty, greatly limit the assessment of gender inequality, which compounds strictly economic inequalities.

Overall, inequality would certainly appear to be both more marked and on the rise when an approach based on income and integrating assets is used.

Income inequality is only one aspect of inequality, which is a multidimensional phenomenon¹⁹. In reality, income inequality is a source, cause and consequence of the other aspects of inequality that encompass, but are not limited to, the labour market, education, access to health, regional disparities and the cross-cutting theme of gender inequality.

Moroccan society is permeated by inequalities in various domains, with consequences on the poverty and vulnerability of the population. In 2014, a 1% increase in inequality led to an 8.9% rise in the incidence of poverty. At the same time, economic growth of 1% reduced poverty by 3.6%²⁰. These rates were 6% and 3%, respectively, in 2007. The crucial inequality effect is becoming increasingly important in poverty reduction. In terms of public policies, it therefore seems clear that the government and the various Moroccan institutions concerned must tackle the scourge of inequality by establishing an economic system that benefits everyone, and not just a privileged few.

Figure 6: Effect of a 1% increase in inequality and the economic growth rate on the incidence of poverty



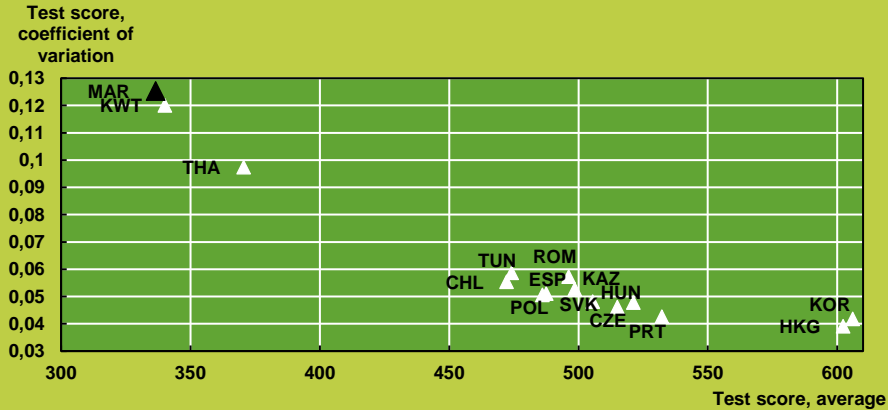
A BROKEN SOCIAL LADDER

AN INCREASINGLY PRIVATISED EDUCATION SYSTEM

Education is a central aspect of the dynamic of inequality. An inclusive and egalitarian system would make it possible to reduce social disparities and partly eliminate differences linked to place of origin. In Morocco, the population's low educational level²¹ is a consequence of a qualitative deficit of the education system, even though the budgets allocated seem to be in step with international practices in quantitative terms. Indeed, Morocco grants 21.5% of its budget to education, which is a greater than average share for both the Middle East and North Africa region (13.9%) and the OECD countries (12.8%). Education spending accounts for 5.1% of GDP, which is almost as high as the OECD countries (5.2%) and above the regional average (4.5%).

Although from a strictly budgetary perspective Morocco has made education one of its priorities, the education system fails from a qualitative perspective. **The average length of schooling in Morocco is 4.4 years, which is two years less than the average of the Arab countries (6.3) and more than three years less than the global average (7.7)**²². The TIMSS ranking, which publishes Morocco's educational results, ranks the country as having one of the poorest pupil performance levels in absolute terms and the variance in results between pupils²³ reveals significant inequalities in the education system (see Figure 7). Concerning the results for reading, for example (PIRLS, 2011²⁴), only 16% of children in the poorest 20% passed this test, while this figure was 53% for children in the richest 20%.

Figure 7: Inequalities in passing international tests (TIMSS 2011, score in 4th grade mathematics)



It is in this context of severe inequalities combined with a low level of education that the private sector has gradually developed. The privatisation of education in Morocco is inextricably linked to the failure of the public education sector; indeed, it is both a cause and a consequence of that failure. It is a cause because resources are being taken away from the public sector in order to promote the private sector. For some twenty years the public authorities have been gradually entrusting education to profit-making businesses. And it is a consequence because the poor results of the public sector have led many Moroccans - and not only the wealthiest - to turn to the private sector which, while more costly, is deemed to offer their children greater chances of success. And that, in turn, contributes to a dynamic of qualitative decline in the public sector. At present, a million pupils, or 14% of Moroccan school children, are enrolled in private schools²⁵. In cities like Casablanca or Rabat, the proportion of pupils enrolled in the private sector is closer to 70% or even 80%²⁶. The predominance of the private sector in those two cities reflects the high levels of inequality in those regions. Moreover, the growth of the private sector is problematic in terms of regional disparities as it has no interest in serving more remote areas or catering to the poorest classes²⁷. Indeed, 80% of private schools are located in the Casablanca-Kenitra

region²⁸. Finally, State provision is particularly lacking for children of pre-school age. The private sector is keen to fill the vacuum left by the State, but only in areas considered profitable, neglecting per-urban and rural regions. Consequently, more than half of Moroccan four and five year olds (approximately 754,000 out of 1,342,000) still do not receive any pre-school education, be it public or private²⁹.

A FAILING LABOUR MARKET

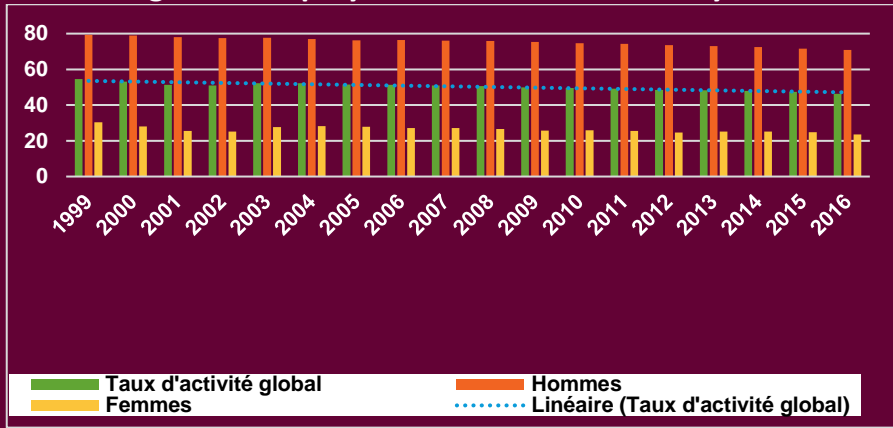
Educational inequalities are confirmed and reinforced by a failing labour market, which is marked by three important trends³⁰: high youth unemployment, particularly in urban areas, and large numbers of young people who are neither in employment nor in education or training (NEET)³¹; the exclusion of women from the labour market; the predominance of the informal sector and precarious forms of employment. While the aim here is not to analyse the Moroccan labour market, citing a few statistics may help illustrate this situation. In 2017, the urban youth unemployment rate (15-24 years) was 42.8%, compared with 14.7% for the urban population as a whole. 29.3%, or approximately 2 million, of those aged 15 to 24 were considered NEETs. Only 22.4% of women nationwide participate in the labour market³²; this figure is 16.6% in urban areas. Moreover, 49% of women in employment work as unpaid domestic helps. Approximately 80% of jobs are informal,³³ around 22% Morocco's working population are unpaid domestic helps or apprentices, and 27.4% are self-employed³⁴ (see boxed text). Finally, the pay gaps are striking. While the interprofessional guaranteed minimum wage (SMIG) is 2,570 dirhams a month, **it would take someone on that salary 154 years to earn the equivalent of the annual increase in the wealth of one of Morocco's billionaires**³⁵.

Two thirds (60%) of the labour force is not covered by a pension scheme and almost half (46%) does not have medical cover³⁶.

“PETITES BONNES” (LITTLE MAIDS)

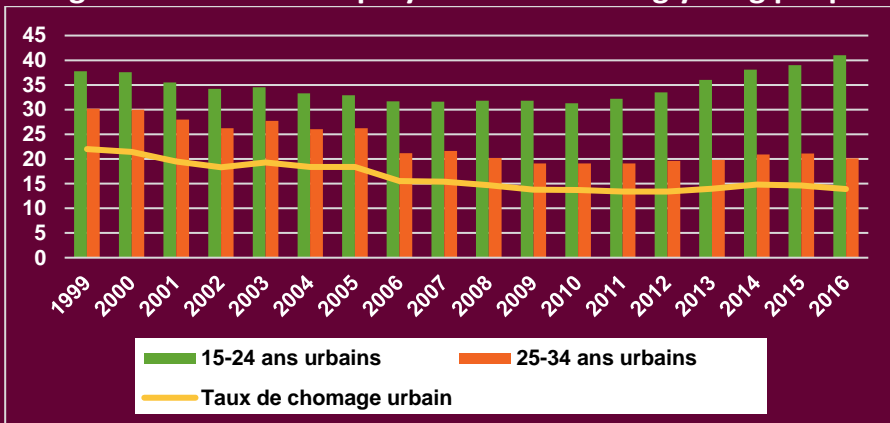
The phenomenon of “petites bonnes”, or ‘little maids’, perfectly illustrates the inequalities in Moroccan society and the large-scale precarity generated by the Moroccan labour market. “Petites bonnes” are girls or young women, most of whom come from very poor rural families, and have not attended school due to a lack of resources or have dropped out of the school system. To support themselves and their families, and having no other job prospects, girls are sent to live with affluent families in towns to work as domestic staff. There are an estimated 60,000 to 80,000 ‘little maids’ between 8 and 15 years of age across the country, although it is very difficult to ascertain the exact number. Some organisations consider this form of ‘work’ to be akin to slavery and human trafficking given that the living and working conditions of the majority of these girls are so poor. Although this type of work is tolerated, that is largely because the idea that a woman’s place is in the home is still deeply rooted in Moroccan society³⁷. Until very recently, there was no official framework for it. A law passed in 2016³⁸ aims to regulate the work of “petites bonnes”. Among other things, it defines a minimum wage set at 60% of the SMIG³⁹, which is 1,543 dirhams a month⁴⁰. In practice, children’s rights organisations have shown that it would be very difficult for them to assert those new rights,⁴¹ especially as checks that it is being enforced are very unlikely. In a weak position, these ‘little maids’ are rarely able to negotiate better conditions or report abuses. The law provides for a five-year transition period during which minors may continue to work. This is inconsistent with the law on the fight against human trafficking, which was passed in 2016 and prohibits any work under the age of 18.⁴² **Beyond a law that can be easily circumvented, it is necessary to address the factors that feed phenomenon of the “petites bonnes”. These include, on the one hand, poverty, school non-attendance and illiteracy, and, on the other hand, the lack of public services (nurseries, transport, etc.) and the gendered distribution of household chores, which leads well-off urban women to hire domestic staff when they want to go out to work⁴³.**

Figure 8: Employment rate, overall and by sex



Source: High Commissioner for Planning

Figure 9: Urban unemployment rate among young people



Source: High Commissioner for Planning

Figure 10: Breakdown of the working population according to employment status



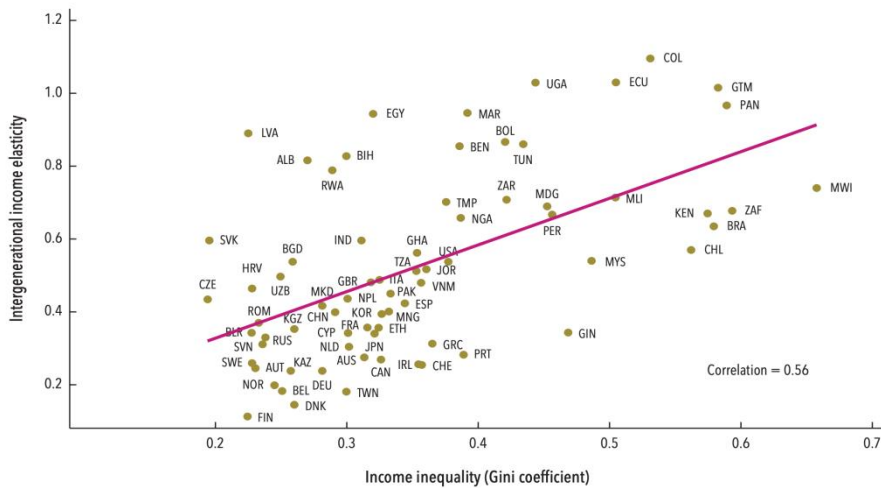
Source: High Commissioner for Planning

The fact that the education system and labour market are both failing is directly contributing to the deepening of inequalities in Morocco. While they can act as key drivers to reduce the gaps created by income inequality, when they become ineffective they lead to strong social reproduction.

Weak intergenerational mobility reveals the severity of the financial and social shackles of a society that prevents the social ladder from working. In addition, the psychological integration of a belief that one's fate is predestined and the narrow range of possibilities lead to intense social frustration, which is a potential vector of conflicts or emigration⁴⁴ for example. In Morocco, intergenerational mobility is low for some and even non-existent for others. **For instance, the son of a non-agricultural employer, senior manager or liberal professional is 456 times more likely to belong to the same socio-professional category as his father than the son of a manual labourer or unskilled worker with no qualifications⁴⁵.** Only 3.1% of farmers' children and 6.3% of manual labourers' children attain middle- or senior-management positions⁴⁶.

At the international level, a strong link has been made between variation in income from one generation to the next and the level of inequality in a country, to approach intergenerational mobility in terms of occupation and the level of inequality according to the Gini coefficient (see Figure 11). Empirically, the most egalitarian countries are also those where income across generations is most elastic, that is, less determined by the income of the previous generation. In Morocco, intergenerational income elasticity is high and very close to 1, which means that income is closely linked to that of the previous generation⁴⁷. **The future of children in Morocco will be almost 100% determined by the socio-economic conditions of their families.** Thus, intergenerational mobility in Morocco is low and birth largely predetermines an individual's future.

Figure 11: Intergenerational income elasticity and Gini coefficient⁴⁸.



Source: Narayan, Ambar, Roy Van der Weide, Alexandru Cojocaru, Christoph Lakner, Silvia⁴⁹



I'M IN A DITCH AND MY DREAMS ARE AT THE TOP OF IT, BUT I DON'T HAVE A LADDER TO REACH THEM

YASSINE, 23 YEARS OLD, RABAT HAS BEEN UNEMPLOYED FOR A LONG TIME AND WAS DESPERATELY LOOKING FOR A WAY TO SUPPORT THE NEEDS OF HIS FAMILY.

"I was four years old when my dad died. My mum took on responsibility for the family - my sisters and me. Sometimes she manages to earn money for the rent and food by working as a cleaner for a salary of 2,500 dirhams.

There is no work in this country. I want to work too; I want to continue my studies too; I want to get married too; I want to provide for my family too. But all that seems out of reach in this country. I have many dreams, I have a lot of ambition, but it's as if I were in a ditch and my dreams were at the top of it, but I don't have a ladder or tools to reach them.

When you're desperate to find work, employers exploit you and do whatever they want with you, because you're unable to defend yourself and there's nothing that can protect you or ensure your rights.

I really like theatre and cinema; I was attending a training course in an association near where I live, but now I'm embarrassed to go; I haven't got any energy or the right mindset to go there.

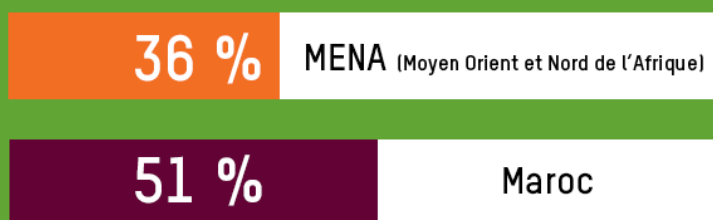
Every young person has dreams and ambitions. We're the next generation; we're the future leaders of this country; that's why I hope that our country will look after its young people."

A HEALTH SYSTEM LACKING BOTH QUANTITY AND QUALITY

Inequalities are also very marked in the field of health. Spending on health accounts for just 5.7% of total spending, compared with 15% in the OECD countries. Similarly, the percentage of GDP allocated to public health expenditure⁵⁰ is only 1.4%, half the proportion in the rest of the Middle East and North Africa region, and almost five times less than in the OECD countries. It should, however, be borne in mind that the OECD countries have different age pyramids to Morocco, where older people (who generally require more care than the rest of the population) are proportionately less numerous.

The review of public health expenditure over the last decade (2008-2018) reveals a chronic budget deficit for this sector: Morocco is far from the spending targets generally recommended (at least 5% of GDP). Consequently, Moroccans must make up for the shortcomings of a retreating State and directly finance the majority of their health costs (51%).

Dépenses de santé directement prises en charge par les ménages (en %)



OECD countries, households cover on average 21% of costs, while public spending accounts for 73% of total expenditure. This shrinking

of the public sphere in relation to health makes access to care particularly costly for the most vulnerable. This financial obstacle compounds all the obstacles linked to the shortage of medical staff, the unequal distribution of infrastructure throughout the country, and so on.

Access to medical cover has improved but is still very low (36% of the population) and correlates closely to standard of living. Despite an overall improvement, it is harder for Moroccans to access healthcare near to where they live: **Morocco has only 6.2 doctors per 10,000 inhabitants, compared with 12 in Algeria and Tunisia, and 37.1 in Spain.**

Privatisation policies in Morocco have a severe impact on the field of health. In 2015, the parliament adopted a law to liberalise the sector⁵¹, one measure of which provides for opening up the capital of private clinics, which account for approximately a quarter of Morocco's bed capacity. With this law, the government is promoting health not as a fundamental right but as a market to be developed. There is a danger of this mercantile approach leading to less profitable procedures being neglected. The Ministry of Health would like to direct part of the 11 million beneficiaries of the Medical Assistance Scheme for the Economically Disadvantaged (RAMED), the basic healthcare system, towards the private sector⁵². In Morocco, although 57% of medical consultations are performed in the private sector⁵³, the likelihood of being able to afford them is closely linked to standard of living: **39% of the consultations of the poorest 20% are private, rising to 80% for the richest 20%**⁵⁴. The very high reliance on the private sector, including by the poorest people, indicates not only a lack of infrastructure and personnel in the public sector, but also Moroccans' mistrust of the quality of care provided in the public sector.

The shortcomings of Morocco's health and education systems partly explain the country's low Human Development Index (HDI). In 2018, Morocco ranked 123rd out of 188 countries, well behind Tunisia (97th) and Algeria (83).

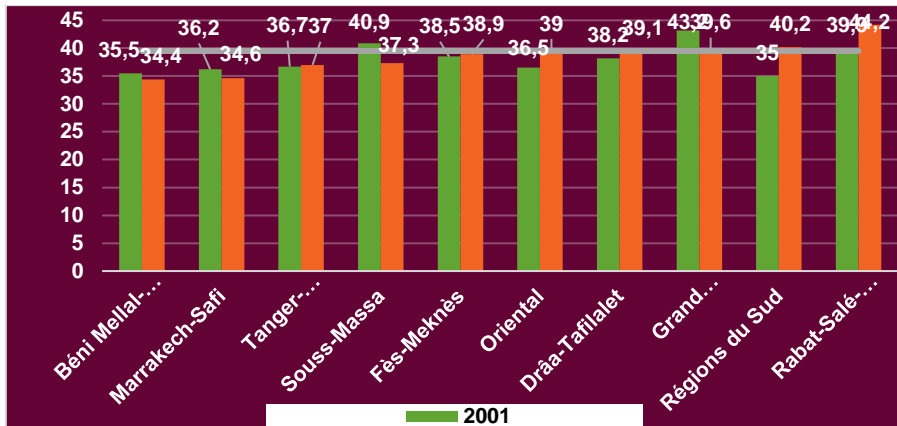
INCREASINGLY CONTESTED REGIONAL AND TERRITORIAL INEQUALITIES

Territorial disparities are another aspect of the issue of inequality. This problem is particularly marked in Morocco where the public authorities are seeking to steer investment so that it contributes to “reducing social and territorial disparities, improving access to hard-to-reach regions and strengthening infrastructure in terms of mobility and connection between territories”⁵⁵. The commitment to addressing this problem is also reflected in the dynamic of regionalisation and decentralisation that aims to transfer State resources and powers to the regions so that they can drive local development. However, this dynamic is a work in progress and coordination problems persist between the central and regional administrations⁵⁶.

The distribution of essential services and infrastructure clearly illustrates the territorial inequalities. Access to water is still difficult for many Moroccans: in rural areas, only 64% of inhabitants are connected to a drinking water network, compared with almost all urban residents⁵⁷. In the Tangier-Tétouan-Al Hoceima region, this figure is only 40%. Connection to sanitation infrastructure is almost non-existent in rural areas⁵⁸.

These regional disparities are also reflected in the differing poverty rates from one region to another. Although poverty is decreasing in all regions, it is seven times higher in the Drâa-Tafilalet region (14.6%) than in the Greater Casablanca region (2%). In addition, the regional Gini index shows a difference of almost 10% between the most unequal region, Béni Mellal-Khénifra, and the most equal region, Rabat-Salé-Kenitra. It should be noted that in six Moroccan regions, inequality rose between 2001 and 2014 (see Figure 12).

Figure 12: Regional Gini coefficient



WIDESPREAD GENDER INEQUALITY THROUGHOUT SOCIETY

Gender inequalities remain severe in Morocco and cut across all the categories mentioned above. In its Global Gender Gap ranking, the World Economic Forum summarises gender inequalities according to four dimensions: economic participation and opportunity; education; health; political empowerment. Morocco is ranked 136th out of 144 countries, showing the deep gender inequality in the Kingdom⁵⁹. Indeed, women are largely excluded from the formal labour market, are not free to make decisions about their bodies (right to abortion) and are over-represented in the most deprived categories of the population. Although considerable progress has been made in girls' education, which remains an essential factor for their integration into the labour market and society, 41.9% of women were still illiterate in 2014 (compared with 22.1% of men), with this proportion rising to 60.4% for rural women.

Within the household, Moroccan women spend an average of five hours a day on domestic work, compared with 43 minutes for men. Women make a massive contribution to the economy through their unpaid work, making up 15.1% of the country's GDP⁶⁰. This considerable figure, which is not included in estimates of

the country's wealth, shows how women's economic contribution is undervalued, even though their work is vital to support society.

Temps consacré au travail domestique



5 heures
pour les femmes



43 minutes
pour les hommes



OXFAM

Even more strikingly, violence against women and girls is one of the most widespread human rights violations in the world, and constitutes a public health challenge due to its consequences and the profound impact it has on the lives of survivors. **In 2009, 62.8% of Moroccan women and girls had been subjected to some form of violence.** More than half of women cited domestic violence, with a third of those cases involving an infringement of their personal freedom, while 6.6% cited sexual violence and 6.4% psychological violence⁶¹.

A study conducted by Oxfam in 2018 on social norms and violence against girls and women in Morocco revealed that just as social norms can inhibit violence, they can justify, encourage or even normalise it. Thus, when patriarchal norms prevail in young people's perceptions of gender relations, violence is accepted or even normalised by both men and women. On the other hand, values such as social solidarity are expressed by young people to justify attitudes that condemn violence in the public and private spheres. The most important reference groups

for young people in terms of whether or not they rationalise and justify violence are the family, neighbours and school/university.

Moreover, legal inequalities between women and men persist, reproducing the same patriarchal model of society where open discrimination against women is still tolerated by law. **That is the case for inheritance, where male heirs receive twice as much as female heirs.** One consequence of this is unequal access to loans - even though the legislation does not discriminate in this specific respect - as women have difficulty providing lenders with the required guarantees⁶². There is also gender discrimination in the labour market, where women are excluded from certain professions on account of “excessive risk”, “exceeding their capacity” or “undermining morality”.



THE MOROCCAN TAX SYSTEM ACCENTUATES INEQUALITIES

The tax system is a key lever for reducing inequalities. Firstly, it is a way of distributing primary income and, secondly, it can influence people's futures by making resources available to finance infrastructure and public services. Although the principle of fiscal justice is enshrined in the 2011 Constitution (see boxed text below), in practice Morocco struggles to apply these constitutional provisions as the fiscal resources are insufficient to reduce inequalities.

CONSTITUTION OF MOROCCO (2011)

ARTICLE 39

All citizens shall bear, in proportion to their contributive capacity, the public expenditures that only the law may, in the forms provided for by this Constitution, create and distribute.

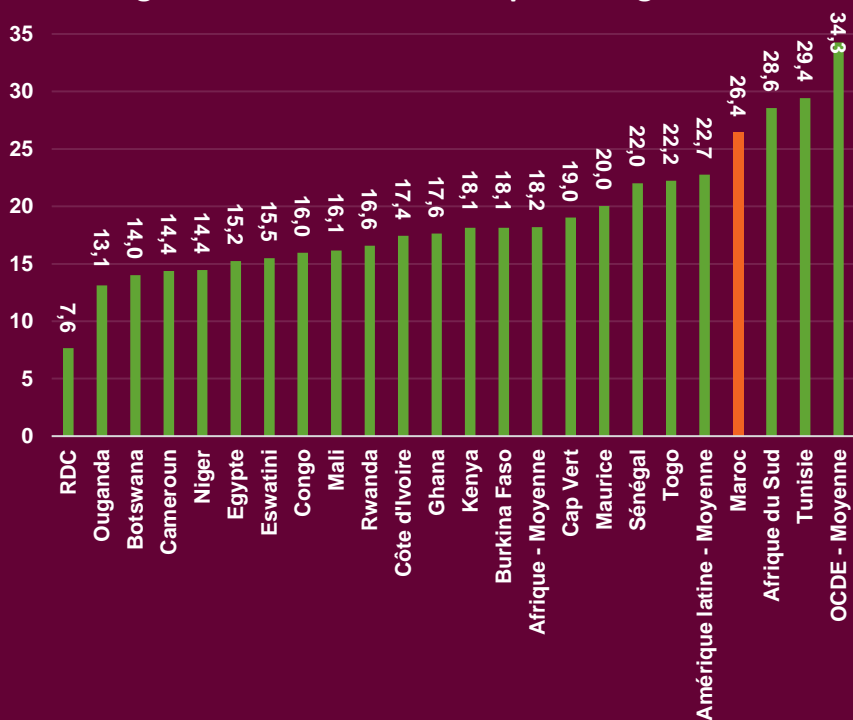
ARTICLE 40

All citizens shall bear, with solidarity and proportionally to their means, the expenditure required for the development of the country, and that resulting from national calamities and natural disasters.

Morocco's tax revenue represented 26.4% of GDP in 2016. Comparison with other African States appears flattering for Morocco and the trend is encouraging as this revenue accounted for 23.5% of GDP in 2000 (see Figure 13). However, in view of the difficulties in collecting taxes in these countries, a more ambitious comparator must be used. So, while Morocco's tax revenue is 3% and 2% lower than that of Tunisia and South Africa, respectively, it is almost 8% below the average of the OECD countries. The tax systems of the latter group of countries are much more efficient and modern.

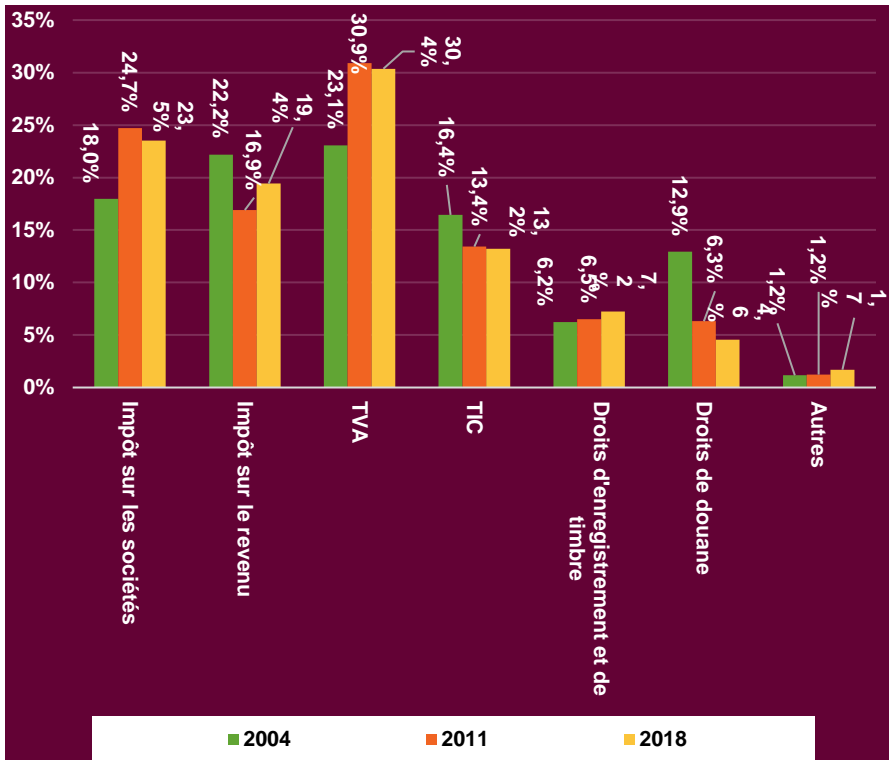
Morocco must aim to reduce this gap in order to generate the necessary means to finance fairer, more ambitious and more redistributive public policies by establishing a more progressive tax system built on a broader tax base.

Figure 13: Tax revenue as a percentage of GDP



Source: OECD revenue statistics

Figure 14: Share of the various taxes and duties in tax revenue (% of the total)



THE PREDOMINANT PLACE OF VAT, A PARTICULARLY REGRESSIVE TAX

Value added tax (VAT) has accounted for approximately 30% of tax revenue in Morocco for some 15 years. By its nature, this tax is highly unequal as, even though wealthier people pay more VAT in absolute terms, it absorbs a much greater share of the budgets of poorer people. Therefore, VAT is contrary to the principle of tax fairness, which is why reduced rates are applied to some basic products or activities. That is the case in Morocco where the general rate of VAT is 20% but basic food items such as bread, flour, couscous, milk, meat and fish products are completely exempt. For sugar, sardines and powdered milk, the

rate has been lowered to 7%. The rate is 10% for cooking oil, salt, rice and pasta, and 14% for butter. In addition, higher rates may be applied to increase taxation on certain products that are more for pleasure than necessity. For instance, until 1993, luxury goods, consumed by wealthier members of society, were subject to 30% VAT⁶³.

Under the influence of international institutions that favour a simplification of rates, or even a flat rate in some cases, the number of different rates of VAT has gradually been reduced. Thus, there were 11 different rates until 1986⁶⁴, then six until 1992, and there have been five since then⁶⁵. There is also a trend towards the convergence of rates around 20%, which is recommended by the IMF⁶⁶, this means that **fewer and fewer products or services will benefit from reduced rates.**

However, the lower rates on essential items are a mechanism to minimise the regressive nature of this indirect tax and therefore contribute to fiscal justice⁶⁷. The simplification recommended in the interest of economic efficiency and encouraging investment is often to the detriment of the redistributive role of tax and the reduction of inequality.

In Morocco, the **inequality created by VAT is also a result of the fact that it is not applied to various sectors of the economy**, either because they have been exempted from it or because they are mainly in the informal sector⁶⁸; this greatly reduces the base of this tax. The market distortions that this situation produces between the formal and informal sectors, as it improves the price competitiveness of the informal sector, pose an obstacle to formalising the economy, which would guarantee better protection for workers and higher salaries.

Therefore, it is damaging for Morocco's tax revenue to rely so heavily on such a regressive tax, especially considering that VAT as a share of tax revenue has tended to increase since the start of this century⁶⁹.

INCOME TAX RELIES ON TOO FEW TAXPAYERS AND WEIGHS ON THE MIDDLE CLASSES

Income tax, meanwhile, generates approximately a fifth of the country's fiscal resources. Its base is particularly small, since the highest incomes contribute less due to the lack of progressivity and the tax is capped.

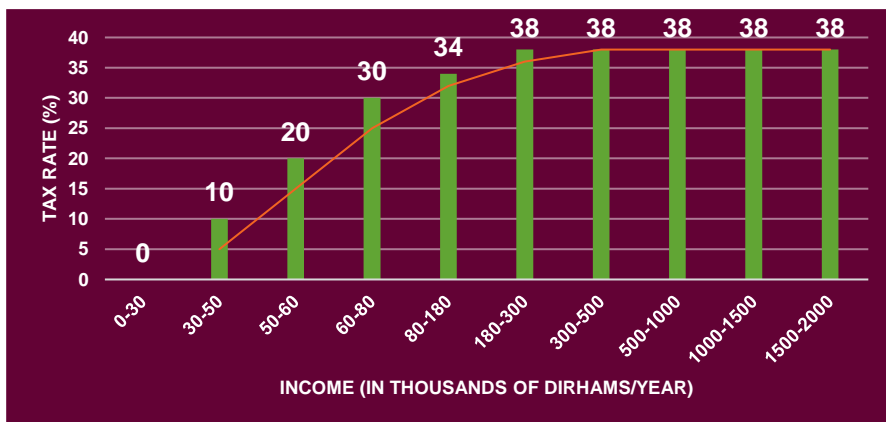
Moreover, many potential taxpayers, mainly in the informal sector, avoid paying it, particularly traders, entrepreneurs, farmers and liberal professionals working in the informal economy or outside of the tax system due to a lack of controls⁷⁰, leaving employees in the public and private sectors to contribute three quarters of this tax. Given that 80% of private-sector workers are in the informal economy, it is easy to image the predominant contribution made by civil servants to income tax revenue. **In total, less than one in four paid members of the workforce pay income tax**⁷¹.

Income tax would appear to be progressive, as the rate increases as income rises. The scale is as follows⁷²:

- 0%: income up to 30,000 dirhams is untaxed
- 10% on income from 30,001 to 50,000 dirhams
- 20% on income from 50,001 to 60,000 dirhams
- 30% on income from 60,001 to 80,000 dirhams
- 34% on income from 80,001 to 180,000 dirhams
- 38% on income over 180,000 dirhams

Moreover, the structuring of these bands (between 0 and 180,000 dirhams of income) leads to a situation of “regressive progressivity”⁷³. Thus, as the rate of taxation increases sharply in the lower income brackets, the progressivity weighs most heavily on the lower and middle classes, but reaches a ceiling relatively quickly (Figure 15).

Figure 15: Structure of income tax in Morocco



ALMOST NON-EXISTENT WEALTH TAX

The limitations in relation to the main taxes in Morocco are exacerbated by shortcomings, exemptions and circumventions. Firstly, the country does not have modern tax arrangements regarding the ownership of assets, which is a key factor in wealth gaps. As we saw above, no statistics on this question are available and it would be imprudent to try to estimate the loss of revenue for the State linked to the absence of a tax of this type, especially given that both the threshold and the rate of taxation would be merely theoretical.

Nonetheless, although few countries similar to Morocco have introduced taxes on property or wealth, it is interesting to compare the revenue raised from this type of tax in certain OECD countries. In France for example, all forms of taxation of wealth taken together accounted for 4.4% of GDP in 2017, or 100.8 billion euros⁷⁴, of which 64 billion euros (2.8% of GDP) was from the taxation of real estate capital and 5 billion euros (0.2% of GDP) from wealth tax. In the USA and United Kingdom, revenue from the taxation of wealth accounted for 4.2% of GDP in 2017, equivalent to USD 810 billion and GBP 85 billion, respectively⁷⁵.

Morocco has a tax on real estate holdings, which raises just 0.7% of GDP, or approximately 7.4 billion dirhams, a very small amount.

There is no taxation of wealth, or tax on inheritances or gifts, and the remaining taxation of assets comes from financial and capital transactions (1.3 of GDP, or 1.3 billion dollars). It should be noted that the taxation of transfers and inheritances of assets was altered in the 2019 Finance Act. The taxable base is now the market value of the asset at the time it is transferred. However, the rate established, just 1% of the value, is negligible and will have no impact on the intergenerational reproduction of wealth gaps.

MUCH ECONOMIC ACTIVITY EVADES CORPORATION TAX

Corporation tax generates approximately a quarter of tax revenue. Of all Moroccan companies, 24% are taxed at the rate of 10% (those earning profits of less than 300,000 dirhams), 5.4% at the rate of 17.5% (profits of between 300,000 and 1 million dirhams) and 2.2% at the marginal rate of 31% (profits in excess of 1 million dirhams).

This tax also has a small base. In practice, many companies avoid paying corporate tax: 60% of Moroccan companies reportedly operate at a loss⁷⁶ and 8% are exempt from the tax. As companies are taxed on a self-assessment basis, many of them report losses as a way of avoiding tax, although for a significant proportion such reported losses probably do not accurately reflect the reality. As shown by the report of the Economic, Social and Environmental Council (CESE), **82% of revenue from corporate tax is collected from just 2% of companies**⁷⁷. Consequently, the base of corporate tax is particularly small, particularly as the informal sector is not covered by it.

LARGE COMPANIES MUST PAY THEIR FAIR SHARE OF TAX.

**YOUSSEF KAMILI, 31 YEARS OLD, FROM AGADIR (MOROCCO)
YOUNG ENTREPRENEUR, FOUNDER OF THE COMPANY IAZAWANE**

Morocco has chosen a strategy of national and international openness to develop its economy. But the cost is high and the return for the country uncertain. Numerous sectoral plans have been launched and exports have become an economic priority, alongside the country's industrialisation. To that end, the State has created free trade zones and offshore areas that allow businesses to benefit from significantly reduced taxation and even tax privileges. Companies are granted exemption from corporation tax for their first five years of operations, and taxed at the rate of just 8.75% for the subsequent 20 years. Indeed, even though the 2019 Finance Act repealed this privilege, companies set up prior to 2019 continue to benefit from the non-retroactivity of the Act. **Foreign multinationals benefit from this tax advantage.** The

payback for the Moroccan State is the creation of jobs; Renault has reportedly created around 10,000 jobs, but at what price? (See boxed text.) Indeed, in the space of a few years, the automotive sector has become the largest export sector, ahead of phosphates, yet the State receives hardly any direct tax revenue from this sector.

RENAULT'S ARRIVAL IN MOROCCO

Renault's decision to set up operations in Morocco was taken after a long negotiation and competitive bidding process between the countries of the Maghreb. The company's aim was to obtain the most generous tax incentive. Renault came out winning and will pay no tax or very little tax during its first 25 years of operations⁷⁸, as is the case for the other companies that set up in the free trade zones before this provision was repealed⁷⁹ by the 2019 Finance Act. Renault has also been provided with land at no cost and a railway line to move its vehicles to the Port of Tanger Med⁸⁰. As the negotiation process was rather opaque, other benefits may not have been revealed. Of course, Renault does not publish disaggregated financial data for Morocco and it is impossible to estimate the turnover generated in the country. Although the results for Morocco's trade balance are positive, to what extent does the Moroccan State benefit from this arrangement? Meanwhile, Renault is reaping exceptional gains from this almost zero-sum game⁸¹.

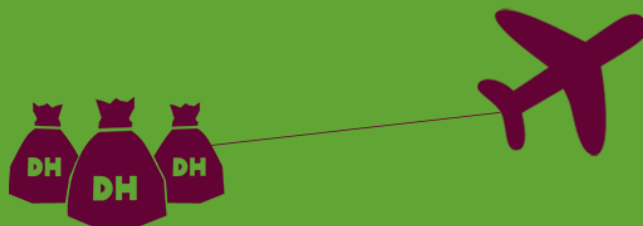
Finally, Morocco is on the European Union (EU) grey list of tax havens. This list of non-cooperative tax jurisdictions which are "under surveillance" with regard to taxation, and currently includes 34 countries, is kept in parallel to a black list that has 15 countries on it⁸². Thus, the European Union considers Morocco's fiscal legislation to contain provisions that allow harmful tax practices⁸³ and make it similar to a tax haven. The EU's analysis looked at preferential tax regimes such as export processing zones, and the tax arrangements applicable to offshore companies and exporting companies. In response, Morocco affirmed its commitment to "engage in constructive dialogue" with the European Union, but did not clearly announce whether it would comply with the standards recommended by the EU and the OECD⁸⁴.

Furthermore, the EU points out that Morocco still has not ratified the Convention on Mutual Administrative Assistance in Tax Matters which aims to facilitate cooperation between tax administrations to promote transparency in the fight against tax avoidance and evasion.

Morocco has one year, until February 2020, to set all the necessary reforms in motion to meet the European Union's criteria. If it fails to do so, Morocco may be placed on the EU tax haven blacklist in future.

Political inaction combating tax havens or tax competition helps perpetuate inequality. **Researchers at the Tax Justice Network (TJN) estimated the tax losses incurred by Morocco due to tax avoidance practices by multinationals at 24.5 billion dirhams a year⁸⁵.** That is equivalent to 2.34% of the country's GDP, or 40 hospitals. This is a considerable amount considering that this estimate does not take into account tax avoidance and evasion by individuals. These figures are very close to those that had been estimated by the IMF (28.3 billion dirhams, or 2.7% of GDP), which drew attention to the fact that the transfer of profits by multinationals affects developing countries like Morocco first and foremost⁸⁶. The very nature of tax avoidance and evasion means that caution must be exercised with regard to these estimates⁸⁷. However, many other indications indirectly reveal the scale of the phenomenon.

Evasion fiscale des multinationales



Le montant des **pertes fiscales** subies par le Maroc s'élève à **23,5 milliards de dirhams par an** soit **783 hôpitaux** dans les zones rurales.



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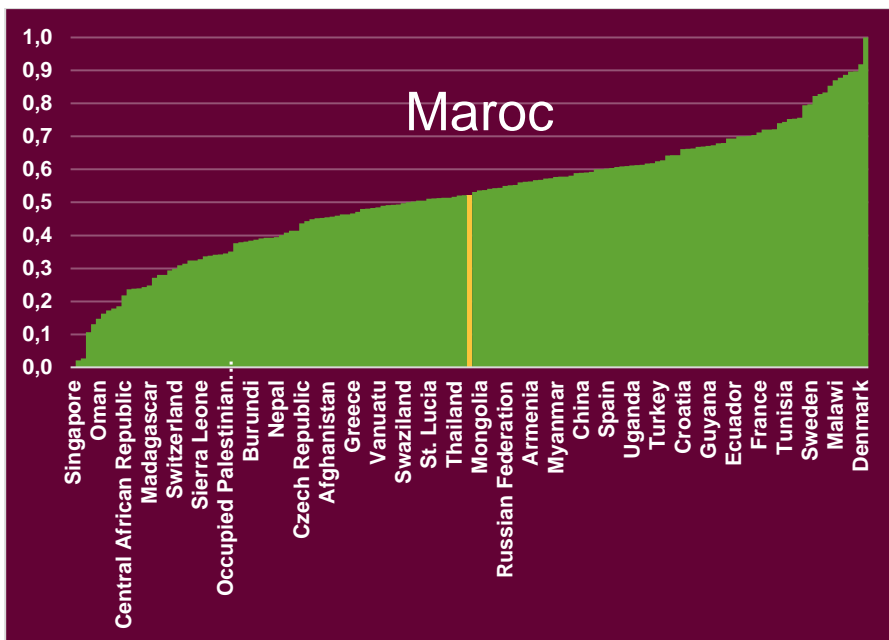
The scale of tax avoidance is also linked to weak enforcement of the rules and a certain perception of impunity. The fight against tax avoidance takes place at three levels. Firstly, legislative reforms, then the administration in the form of the Directorate of Taxes, and finally the justice system. Unfortunately, at each of these stages there are several loopholes for fraudsters, which gives rise to a situation of fiscal impunity in Morocco. Moreover, Morocco demonstrates a certain leniency in relation to tax offences. In 2014, then in 2018, the parliament voted to grant an amnesty for taxpayers, including foreign taxpayers, that had 'omitted' to declare the assets they own abroad (income from the rental of properties, capital gains from the sale of real estate, dividends, interest, etc.) in exchange for a 10% contribution in full discharge of their liabilities.

OXFAM'S COMMITMENT TO REDUCING INEQUALITY INDEX

The Moroccan tax system is poorly adapted and too weak to reduce inequality. A small tax base and limited progressivity, combined with inappropriate tax expenditure, numerous tax exemptions and tax avoidance and evasion, undermine the redistributory role of the tax system.

This situation is highlighted by a composite indicator created by Oxfam to measure States' commitment to reducing inequality. This indicator is based on a country-by-country analysis of three pillars⁸⁸: social spending that finances public services, like education, health and social protection, which has a progressive effect and contributes to reducing existing levels of inequality; progressive taxation, which consists of taxing companies and the wealthiest individuals more heavily in order to redistribute resources throughout society and ensure the financing of public services and decent salaries; strengthening employment rights, particularly for women, which constitute an essential lever for reducing inequality. Morocco ranks 98th out of a total of 157 countries analysed for this index, which reveals that the use of public policies to reduce inequality is well below its potential⁸⁹.

The “progressive taxation” pillar of the index takes the following aspects into account⁹⁰: the degree of progressivity of the tax system and the extent to which taxation contributes to reducing inequality; the amount of tax revenue compared to the tax base and its tax potential; whether or not the country is engaging in harmful tax practices. For this pillar, Morocco ranks 78th out of a total of 157 countries, well below countries like Turkey, Algeria and Peru whose tax systems enable a greater impact on reducing inequality. Furthermore, in the Middle East and North Africa region, Morocco is sixth out of 11 countries. Morocco's rankings clearly indicate an inadequate position in terms of the progressivity of its fiscal policy. One sub-indicator in particular that weakens Morocco's score is the impact of corporate tax on revenue and the impact of VAT on the Gini coefficient. Here, the country ranks 153rd out of 157 countries, indicating a regressive fiscal policy that exacerbates inequality.



RAMPANT CORRUPTION

Governance issues also deprive Morocco of significant amounts of tax revenue. The IMF estimates the impact of corruption to be equivalent to 2% of GDP (the OECD places this figure at 5%), which for Morocco would have equated to 20.7 billion dirhams in 2017. Transparency International Morocco makes a much higher estimate of between 200 and 300 billion dirhams. Morocco ranks 81st out of 180 countries in Transparency International's Corruption Perceptions Index, indicating that corruption has a strong impact in the country. Almost 40% of companies report having been asked for gifts or informal payments, while for more than a fifth of companies corruption represents the main obstacle to their growth⁹¹.

The 2011 Constitution is, in many respects, a significant step forward in the fight against corruption. In particular, it creates a national body for probity, prevention and the fight against corruption; it criminalises certain practices such as conflicts of interest, insider trading, influence and privilege peddling, abuse of a dominant position and monopoly power; it strengthens the principle of good governance and the obligation to align public services with standards of transparency, accountability and responsibility; it enshrines the right of access to information and the role of civil society.

With a view to achieving the objectives of the Constitution, a national strategy to combat corruption was launched in 2016. This ambitious initiative would appear to reflect the importance that the State attaches to this problem. Yet, while this legal framework is encouraging, the challenge of enforcing it remains.

Photo credit: Aymane Kassbi | Oxfam in Morocco



CONCLUSION AND RECOMMENDATIONS

CONCLUSIONS

A tax system based on justice, fairness, transparency and simplicity can be a very powerful development tool that combines economic efficiency and social justice.

In practice, taxation is still too widely used to serve the interests of minorities, whether wealthy individuals (low taxation of capital, unprogressive taxes) or large corporations (tax exemptions and waivers for certain sectors or activities). Thus, on the pretext of stimulating economic activity, the State foregoes considerable amounts of tax revenue, which is essential for reducing inequality, making itself more vulnerable in the process as it is not very self-sufficient and depends on other actors (private creditors, international institutions). Tax losses are also unintentionally incurred as a result of practices of tax evasion, tax avoidance and corruption, which are widespread.

This situation is the opposite of what Morocco needs in order to ensure the welfare of its population. The tax system must not constitute an adjustment variable intended to integrate Morocco into economic globalisation. A 'race to the bottom' of tax rates is not a long-term solution. On the contrary, a fair, equitable and effective tax system will ensure balanced development in Morocco.

According to a study commissioned by the Ministry of Economy and Finance,⁹² the main challenges that Morocco must overcome are "formalisation of the labour market, the fight against corruption,

improving nationwide coverage of public services, greater standardisation of information on the quality of goods and services, and improving the effectiveness of the tax administration in collecting taxes and its ability to limit tax evasion”.

FAIR AND EQUITABLE TAXATION

TO ADDRESS INEQUALITY

The debate encouraged by the king after his speech to parliament in October 2018 prompted a process of reflection about Morocco's development model, acknowledging its limitations marked by a predominance of the rentier economy, and exclusionary and non-transparent practices.

An ad hoc committee has been tasked with organising and structuring the contributions of the various Moroccan actors, to guide the country's future. Since then, the various stakeholders have underlined the lack of inclusion and equity within Moroccan society. However, while proposals are gradually emerging, it is highly desirable for a public debate on these societal issues to be promoted, with opportunities for citizen participation that bring together all the actors concerned, particularly from civil society.

Integrated and concerted political measures must be urgently taken to counter the unequal dynamic.

With the third Taxation Conference due to take place on 3 and 4 May 2019 on the initiative of the Ministry of Economy and Finance, in this report Oxfam offers an analysis of the current state of the tax system in Morocco and makes proposals and recommendations for making tax an instrument for reducing inequality. Of course, taxation alone cannot dramatically and sustainably reduce the wealth gaps in the country. Over the coming months, Oxfam Morocco will adopt a position with its partners on other key issues, including access to economic opportunities and decent work, quality public services, the fight against corruption, and gender and territorial inequalities.

1. IMPROVE THE PROGRESSIVITY OF TAXATION AND BROADEN THE TAX BASE.

The Moroccan tax system has two major shortcomings: low progressivity and a small tax base. Therefore, it is necessary to introduce new upper income bands for income tax, so that wealthier taxpayers contribute more and the fiscal pressure that weighs unfairly on certain taxpayers is eased. At the same time, it is necessary to broaden the base of corporate tax by doing away with the numerous ineffectual exemptions currently in place and integrating various economic sectors and professions into the scope of taxation. Thus, the exemptions concerning agriculture and real estate, which favour large owners and perpetuate the rentier economy to the detriment of productive activities that create jobs and create significant distortions in the allocation of resources, must be reduced or eliminated.

2. INTRODUCE PROGRESSIVE TAXATION OF WEALTH.

Progressive taxation on wealth would make it possible to reduce intergenerational inequality, including in areas concerning gender equality such as inheritance, and appears to be essential.

3. IMPROVE THE VAT REFUND SYSTEM.

Considerable delays by the tax authorities have led to cash-flow difficulties for many companies. That has had the consequence of discouraging companies from entering the formal tax system, inhibiting recruitment and disrupting the functioning of their businesses.

4. PUT AN END TO INEFFECTIVE TAX EXEMPTIONS AND INCENTIVES.

Massive tax incentives and exemptions to attract companies, particularly foreign companies, must be reviewed, especially when there is no social return. While the desire to industrialise the country is laudable, it cannot be done at such a high cost, based on such low

taxation of profits. Morocco has undeniable comparative advantages and must be more demanding concerning what it receives in exchange for those tax incentives, particularly in terms of jobs. Furthermore, globally, perpetuating this 'race to the lowest tax' and maintaining competition between States to propose increasingly lenient tax rates will eventually have adverse consequences.

5. CREATE OPTIMAL CONDITIONS FOR SOCIAL DEBATE AND ENHANCE THE ROLE OF SOCIAL STAKEHOLDERS

Greater importance must be placed on the role of trade unions in order to rebalance the debate. The unionisation rate is very low in Morocco, with just 3.3% of the working population belonging to a trade union, and the trend is that more companies are operating without the presence of a union. In fact, the debate is currently heavily influenced by the voices of employers' associations.

6. CORRECTLY ASSESS THE SOCIAL REALITY IN ORDER TO BETTER RESPOND TO IT.

While policy-making is a prerequisite for any change in the tax rules, it is vital to weigh up and carefully target the key areas of action. Indeed, the statistical data currently available do not make it possible to implement or even think about taxation of wealth or fair and redistributory tax revenue. The High Commissioner for Planning does not calculate poverty and inequality based on income but rather on consumption. That results in underestimation of the scale of the problem and prevents decision-makers from responding to it appropriately. Similarly, it is crucial to effectively target the most vulnerable segments of the population and reduce the impact of expenditure on the State budget. The progressive rolling out of a unique identifier is an encouraging development that must be seen through to completion.

Oxfam in Morocco reiterates that behind the inequalities there are political choices and it falls to the government and the various institutions concerned to tackle the scourge of inequality by

establishing a model of sustainable and inclusive development that benefits everyone, not just a privileged few. The first step should be to more precisely measure the wealth gaps in the country.

The way the economy is presently structured is not an inevitability and there are solutions such as guaranteeing fairer sharing of wealth, respecting workers' rights, and facilitating access to dignified and decent work (for women and young people in particular). A more human economy requires political and economic choices in favour of fair and progressive taxation to tax those who can afford it more, to combat tax avoidance to finance quality public services such as education and health, to tackle wage disparities and to improve governance through accountability, transparency, access to information and the participation of civil society in the development, implementation and evaluation of public policies.

RECOMMENDATIONS

The fight against inequality and poverty must be at the heart of all public policy actions in Morocco and must lead the government to adopt an urgent plan of action:

1. Develop a national plan to combat inequality

- Adopt an **ambitious, quantified target for reducing inequality by 2030** within the framework of the Sustainable Development Goals (SDGs).
- Produce **regularly updated and publicly available statistical data on income disparities and the concentration of wealth** (beyond consumption).
- Take **urgent, concrete measures to redress regional disparities and gender inequality, and improve governance** at all levels.
- Improve primary income distribution by applying a **“1 to 20” type rule between the highest salary and the median salary in the public administration**, as well as establishing rules of good conduct and possibly incentives (fiscal or otherwise) to encourage the private sector to rally behind this issue.

- **Launch a plan to formalise economic activity** by more clearly highlighting the advantages: social welfare, preservation and transfer of pension entitlements when changing jobs, tax simplification measures, measures to improve access to credit, etc.
- 2. Promote fair taxation that contributes to reducing inequality:**
- **Improve the progressivity of the tax system as a whole**
 - **For income tax, introduce new tax brackets** to shift fiscal pressure to those with the highest incomes and ease the pressure on the lowest income brackets.
 - **Introduce progressive taxation of assets held and passed on**, in order to reduce intergenerational, gender and wealth inequalities.
 - **Introduce a gendered analysis of all taxes to contribute to reducing inequality between women and men.**
 - **Broaden the tax base to make the contributions of all the country's economic actors fairer.**
 - **Increase the effective contribution of corporate tax.** Large companies must pay their fair share of tax, bringing their tax contributions in line with their real economic activity.
 - **Review the functioning of harmful tax practices** (fiscal conditions and functioning of offshore areas, etc.). The Moroccan State must not forego precious fiscal resources for the sake of economic attractiveness.
 - **Reduce the numerous exemptions currently in place, only keeping those that have a social impact**, based on a cost-benefit analysis and a transparent process over a predefined time period.
 - **Integrate various economic sectors and professions into the scope of taxation**, particularly agriculture and real estate which favour large owners and perpetuate the rentier economy to

the detriment of productive activities that create jobs.

- **Make the fight against tax avoidance and evasion a priority.**
 - **Improve the VAT refund system** by further simplifying the procedure, making it transparent and reducing the processing time of taxpayer's returns **to avoid cases of abuse or fraud.**
 - **Strengthen arrangements to prevent tax avoidance**, strengthen control mechanisms, and draw up an ambitious and objective list of tax havens, accompanied by sanctions.

**SHARE WEALTH WITH
THOSE WHO CREATE IT**



¹ World Development Indicators. World Bank.

² Ibid.

³ World Bank. 2018. Poverty and Shared Prosperity in Morocco in the Third Millennium.

⁴ Inequality reduction has a much greater impact on poverty and is addressed later in this report.

⁵ Calculated according to the national poverty threshold. In 2014, the poverty threshold was 4,667 dirhams of annual spending in urban settings and 4,312 dirhams in rural settings.

⁶ https://www.hcp.ma/Principaux-resultats-de-la-cartographie-de-la-pauvrete-multidimensionnelle-2014-Paysage-territorial-et-dynamique_a2023.html

⁷ In Morocco, the categorisation of households according to their consumption means that many miss out on the redistribution of wealth.

⁸ High Commissioner for Planning. Vulnerability and Demographic Behaviour.

⁹ Rachida El Azzouzi, “Au Maroc, un boycott contre la vie chère”, Médiapart, 5 June 2018.

<https://www.mediapart.fr/journal/international/050618/au-maroc-un-boycott-contre-la-vie-chere>

¹⁰ El Mehdi Berrada, “Maroc: le Parlement rend public un rapport sur les prix des carburants sur fond de boycott commercial”, Jeune Afrique, 17 May 2018.

<https://www.jeuneafrique.com/560340/economie/maroc-le-parlement-rend-public-un-rapport-sur-les-prix-des-carburants-sur-fond-de-boycott-commercial/>

A version of the report in Arabic is available in the following article: “Rapport sur le prix des hydrocarbures”, L'économiste, 11 May 2018.

<https://www.leconomiste.com/flash-infos/doc-le-rapport-sur-les-prix-des-hydrocarbures>

¹¹ This figure was obtained by applying to the combined wealth of the three Moroccan billionaires the average wealth growth rate of High Net Worth Individuals in 2015 (4%) according to the CapGemini World Wealth Report 2016.

https://www.capgemini.com/consulting-fr/wp-content/uploads/sites/31/2017/08/world_wealth_report_wwr_2016_france_june2016.pdf. This gives an annual growth of the fortune held by these three billionaires of 1,766,880,000 dirhams.

Furthermore, the data on the distribution of wealth (consumption) by decile published by the HCP and World Bank (HCP and World Bank, Poverty and Shared Prosperity in Morocco in the Third Millennium, 2001-2014, 2017) made it possible to calculate the amount of wealth in the first decile (the poorest 10% of people). As the HCP did not define lower limit of the first decile, we defined it by applying the same difference as between the upper and lower limits of the second decile. By multiplying the average wealth in the first decile by 3,377,000 (10% of the population), we obtained the combined annual wealth (consumption) of that 10% of the population.

¹² National Household Consumption and Spending Survey.

¹³ In the absence of statistics on income, the Gini coefficient in Morocco is based on consumption expenditure.

¹⁴ Most recent year available.

¹⁵ Most recent year available.

¹⁶ Tamsamani, Yasser Y, Brunet-Jailly, Joseph, Komat, Abdellatif and Mourji, Fouzi. *Mémorandum pour un modèle alternatif de développement au Maroc*.

¹⁷ It should be noted that statistics regarding these questions are incomplete in Morocco, which is not included in the ILOSTAT database.

¹⁸ Thomas Piketty, *Le Capital au XXI^e siècle*, Le Seuil, “Les Livres du nouveau monde” collection, 5 September 2013, p. 976.

¹⁹ <https://afsee.atlanticfellows.org/blog/2018/inequality-runs-deeper-than-income>

²⁰ World Bank. 2018. *Poverty and Shared Prosperity in Morocco in the Third Millennium*.

²¹ A third of the country's population is still illiterate; 60% of women in rural areas are illiterate.

²² Chauffour, Jean-Pierre. 2018. *Le Maroc à l’horizon 2040*.

²³ The horizontal axis of the graph shows that Morocco obtains the poorest results in the cohort, while the vertical axis indicates that its results are the most disparate.

²⁴ https://www.education-inequalities.org/countries/morocco/indicators/rlevel_prim#?dimension=all&group=all&age_group=rlevel1_prim&year=2011

²⁵ Jihane Gattioui, “Enseignement privé: les tarifs bientôt plafonnés?”, *LesEco.ma*, 14 June 2018.

<http://www.leseco.ma/economie/67424-enseignement-prive-les-tarifs-bientot-plafonnes.html>

²⁶ Ghalia Kadiri, “Au Maroc, la disparition des écoles publiques accélère la marchandisation de l’éducation”, *Le Monde*, 21 November 2016.

https://www.lemonde.fr/afrique/article/2016/11/21/au-maroc-la-disparition-des-ecoles-publiques-accelere-la-marchandisation-de-l-education_5035293_3212.html

²⁷ “The modern sector is almost exclusively in urban areas as investors are not interested in unprofitable rural areas.”

Higher Council for Education, Training and Scientific Research, *Report on Equitable and Quality Pre-school Provision*, 2017.

²⁸ Alternative report submitted by several civil society organisations to the pre-sessional working group of the United Nations Committee on Economic, Social and Cultural Rights, 2015.

<http://globalinitiative-escr.org/wp-content/uploads/2015/02/280115-Rapport-CESCR-Maroc-privatisation-%C3%A9ducation-final.pdf>

²⁹ Higher Council for Education, Training and Scientific Research, *Report on Equitable and Quality Pre-school Provision*, 2017.

³⁰ This list is not exhaustive.

³¹ In plain language, this category, which is mainly used for young people (aged 15 to 29), comprises individuals who have left the education system, are not working and are not undertaking vocational training.

³² The figure indicated refers to the activity rate, which includes both people in employment and job-seekers who are currently unemployed. Therefore, only people stating that they are not looking for work are excluded.

³³ For the purposes of this report, informal work is defined by an absence of medical cover. Public employment, which is formal, accounts for around 8% of total

employment, with the formal private sector accounting for only 12% of employment in Morocco.

³⁴ World Bank. 2018. Labour Market in Morocco: challenges and opportunities.

³⁵ See note detailing the calculations and sources of “the increase in the wealth of the three Moroccan billionaires in one year is equivalent to the consumption of approximately 820,763 Moroccans in the poorest 10% or 699,848 people in the poorest 20% of Moroccans”.

According to the same hypotheses, the daily increase in the wealth of the three Moroccan billionaires is estimated at 10,588 million dirhams.

In 2018, the SMIG was 2,570.86 dirhams a month, i.e. 30,850 dirhams a year. Ojra Blog, Gestion de la paye Maroc: valeur du SMIG au 1er janvier 2018, 2 January 2018. <http://blog.ojraweb.com/gestion-de-la-paie-maroc-valeur-du-smig-au-01-janvier-2018/>

³⁶ Opinion of the Economic, Social and Environmental Council on social protection in Morocco. <http://www.ces.ma/Documents/PDF/Auto-saisines/2018/AS34-2018/Av-AS34-VF.pdf>

³⁷ H El Moussaoui, S Mengad, “Les petites bonnes au Maroc: nouveau visage de l’esclavagisme”, LibreAfrique, 24 June 2015.

<http://www.librefrique.org/SihamMengat-bonnes-marocaines-240615>

³⁸ Law 19-12 establishing work and employment conditions for domestic workers, 10 August 2016.

<https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/105362/128832/F-1170153818/MAR-105362.pdf>

³⁹ Khadija Masmoudi, “Travail domestique: les obligations qui attendent les employeurs”, L’économiste, 4 August 2017.

<http://www.leconomiste.com/article/1015827-travail-domestique-les-obligations-qui-attendent-les-employeurs>

⁴⁰ The monthly SMIG as of 1 January 2018 was 2,570.86 dirhams.

Ojra Blog, Gestion de la paye Maroc: valeur du SMIG au 1er janvier 2018, 2 January 2018.

<http://blog.ojraweb.com/gestion-de-la-paie-maroc-valeur-du-smig-au-01-janvier-2018/>

⁴¹ Kenza Iraki, “Imane, 17 ans, flouée par une nouvelle loi qui ne change rien à sa condition de ‘petite bonne’”, TelQuel, 16 August 2017.

https://telquel.ma/2018/09/14/apres-la-religion-lhistoire_1610437/

⁴² Law 27-14 on the fight against human trafficking, 25 August 2016.

<https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/103357/125489/F1582466313/MAR-103357.pdf>

⁴³ H El Moussaoui, S Mengad, “Les petites bonnes au Maroc: nouveau visage de l’esclavagisme”, LibreAfrique, 24 June 2015.

<http://www.librefrique.org/SihamMengat-bonnes-marocaines-240615>

⁴⁴ The OECD has noted an emigration flow of 100,000 Moroccans a year.

⁴⁵ High Commissioner for Planning. 2014. Mobilité sociale intergénérationnelle au Maroc.

⁴⁶ Tamsamani, Yasser Y, Brunet-Jailly, Joseph, Komat, Abdellatif and Mourji, Fouzi. Mémorandum pour un modèle alternatif de développement au Maroc.

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- ⁴⁷ The greater the elasticity, the lower the social mobility. Perfect social mobility would indicate no influence of the family situation on the children's income, which would mean an elasticity level equal to 0.
- ⁴⁸ Greater intergenerational income elasticity means lower intergenerational mobility.
- ⁴⁹ Redaelli, Daniel Gerszon Mahler, Rakesh Gupta N Ramasubbaiah and Stefan Thewissen. 2018. *Fair Progress? Economic Mobility across Generations around the World*. Washington, DC: World Bank.
- ⁵⁰ Caution should be exercised in relation to these statistics as some figures take into account the share of the health sector in the economy, including all types of expenditure (public, private, household, etc.).
- ⁵¹ Law 131-13 of 19 February 2015 on the practice of medicine, Article 60.
http://www.sgg.gov.ma/Portals/0/lois/Loi_131.13_Fr.pdf?ver=2016-02-05-112006-000
- ⁵² Fayza Senhaji, "Santé: le RAMED bientôt étendu aux cliniques privées", *Le 360*, 31 July 2018.
<http://fr.le360.ma/societe/sante-le-ramed-etendu-aux-cliniques-privées-171324>
- ⁵³ 54% in rural areas and 60% in urban areas.
HCP, Plan Workbook No. 50, *Poverty and Shared Prosperity in Morocco in the Third Millennium*, 2018.
- ⁵⁴ Ibid.
- ⁵⁵ Annex to the 2018 Finance Bill: *Note on the regional distribution of investment*, 2017.
http://lof.finances.gov.ma/sites/default/files/budget/files/nrri_fr.pdf
- ⁵⁶ HCP, Plan Workbook No. 50, *Poverty and Shared Prosperity in Morocco in the Third Millennium*, 2018.
https://www.hcp.ma/Les-Cahiers-du-Plan-N-50-Janvier-Fevrier-2018_a2152.html
- ⁵⁷ HCP, Plan Workbook No. 50, *Poverty and Shared Prosperity in Morocco in the Third Millennium*, 2018.
- ⁵⁸ Chauffour, Jean-Pierre. 2018. *Le Maroc à l'horizon 2040*.
- ⁵⁹ World Economic Forum. 2017. *Global Gender Gap*.
http://www3.weforum.org/docs/WEF_GGGR_2017.pdf
- ⁶⁰ International Labour Office. 2018. *Care work and care jobs for the future of decent work*.
https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_633135.pdf
- ⁶¹ High Commissioner for Planning. 2018. *La femme marocaine en chiffres. Évolution des caractéristiques démographiques et socioprofessionnelles*.
- ⁶² Women's low participation in the labour market reinforces this discrimination and household income generally depends on men.
- ⁶³ Nouredine Bensouda, "Le regard d'un Etat étranger sur les taux de TVA: l'exemple du Maroc", *L'économiste.com*, 15 April 2014 [accessed on 8 August 2018].
<https://www.leconomiste.com/article/935651-le-regard-d-un-etat-etranger-sur-les-taux-de-tva-l-exemple-du-marocpar-noured-dine-ben>
- ⁶⁴ To be precise, this was the Goods and Services Tax that was introduced in 1961 and was replaced by VAT in 1986.
- ⁶⁵ Nouredine Bensouda, "Le regard d'un Etat étranger sur les taux de TVA: l'exemple du Maroc", *L'économiste.com*, 15 April 2014 [accessed on 8 August 2018].

<https://www.leconomiste.com/article/935651-le-regard-d-un-etat-etranger-sur-les-taux-de-tva-l-exemple-du-marocpar-noureddine-ben>

⁶⁶ “[...] *staff recommended a comprehensive strategy aiming to: align reduced VAT rates on manufacturing goods and services with the standard VAT rate; reduce tax exemptions [...]*”.

IMF, *2017 Article IV Consultation: Morocco*, March 2018, p. 15.

<http://www.imf.org/en/Publications/CR/Issues/2018/03/12/Morocco-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45713>

⁶⁷ The barometer of commitment to reducing inequality published by Oxfam on 9 October 2018, in which Morocco was ranked 98th (out of 157) also takes into account these different rates for basic goods as a positive element to mitigate the regressivity of VAT. <https://www.oxfam.org/en/research/commitment-reducing-inequality-index-2018>

⁶⁸ “VAT is not applied to large sections of the economy. Entire production or distribution circuits remain outside of the scope of taxes, increasing the share borne by the formal sector, particularly the most transparent companies.”

CESE, *Le système fiscal marocain, développement économique et cohésion sociale*, 2012, p. 67.

[http://www.cese.ma/Documents/PDF/Avis%20Fiscalite%20FR%20\(2\).pdf](http://www.cese.ma/Documents/PDF/Avis%20Fiscalite%20FR%20(2).pdf)

⁶⁹ <https://www.lavieeco.com/news/economie/la-part-de-la-tva-dans-les-recettes-fiscales-est-tres-elevee-au-maroc.html>

⁷⁰ Ibid.

⁷¹ Najib Akesbi, “La réforme fiscale au Maroc, conjuguer efficacité et équité”, PowerPoint presentation for the 7th convention of the Moroccan Association of Economic Sciences (AMSE), 14 June 2013.

http://www.amse.ma/doc/Najib_reformer_reforme.pdf

⁷² 2018 General Tax Code, Article 73, p. 112.

https://portail.tax.gov.ma/wps/wcm/connect/30b7372b-68d0-462f-b40b-bd5c9f642a26/CGI_2018_FR.pdf?MOD=AJPERES&CACHEID=30b7372b-68d0-462f-b40b-bd5c9f642a26

⁷³ Ibid.

⁷⁴ This amount has decreased by approximately 3 billion euros since the tax reform of 2017, which transformed the solidarity tax on wealth (ISF) into a tax on real estate assets (IFI).

⁷⁵ OECD statistics database.

⁷⁶ <http://fr.le360.ma/economie/contrôles-fiscaux-nouvelle-offensive-de-la-dgi-164887>

⁷⁷ CESE, *Le système fiscal marocain, développement économique et cohésion sociale*, 2012, p. 64.

[http://www.cese.ma/Documents/PDF/Avis%20Fiscalite%20FR%20\(2\).pdf](http://www.cese.ma/Documents/PDF/Avis%20Fiscalite%20FR%20(2).pdf)

⁷⁸ Total exemption for the first five years of operations and then 8.75% tax for the subsequent 20 financial years.

⁷⁹ Corporate tax in the export processing zone: <https://aafir.ma/zones-franches-dexportation-zfe-maroc/>

⁸⁰ Renault: 400 million euros for the second phase of the Tangier plant.
<https://www.usinenouvelle.com/article/renault-400-millions-d-euros-pour-la-deuxieme-phase-de-l-usine-de-tanger.N206952>

⁸¹ Comment from Renault on this part of our report: “Firstly, the main element of Morocco’s attractiveness is its geographical location as a bridge between Europe and Africa. Indeed, although part of the Renault Group’s production in Morocco is exported to Europe, Morocco is also a major actor in economic exchanges with the whole African continent. Moreover, Renault set up operations in Morocco within the framework of the country’s policy of industrialisation, which extends beyond the borders of the Tangiers zone. Finally, any company that sets up in a Moroccan free trade zone is exempt from taxes for the first five years. However, after that period, companies join the tax regime; of course, that is also the case for Renault.”

⁸² On 12 March 2019, the European Union published its first annual update of its tax haven blacklist. The blacklist currently includes 15 countries: Aruba, Barbados, Belize, Bermuda, Dominica, Fiji, Guam, Marshall Islands, Oman, Samoa, American Samoa, Trinidad and Tobago, United Arab Emirates, the US Virgin Islands and Vanuatu. However, it omits five notorious tax havens, which are Panama, Hong Kong, Isle of Man, Guernsey and Jersey. In its report entitled “Off the Hook”, Oxfam analyses the list of tax havens and examines the process implemented by the European Union <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620625/bn-off-the-hook-eu-tax-havens-070319-en.pdf?sequence=1>.

“Paradis fiscaux, la liste noire de l’Union Européenne”, *Toute l’Europe.eu*, 1 June 2018.

⁸³ “Letter for the attention of the authorities of the Kingdom of Morocco”, 23 October 2017, in General Secretariat of the Council of the European Union, “Compilation of letters seeking commitment”, 6 March 2018, p. 122.

<http://data.consilium.europa.eu/doc/document/ST-6671-2018-INIT/en/pdf>

⁸⁴ Kingdom of Morocco, “Evaluation of Morocco in terms of good governance in the tax area”, 29 November 2017, General Secretariat of the Council of the European Union, “Compilation of commitment letters received from jurisdictions - Morocco”, 12 March 2018.

<http://data.consilium.europa.eu/doc/document/ST-6972-2018-ADD-12/en/pdf>

⁸⁵ Alex Cobham, Petr Jansky, in partnership with United Nations University World Institute for Developments Economics Research (UNI-WIDER), “Global distribution of revenue loss from tax avoidance: Re-estimation and country results”, WIDER Working Paper 2017/55, March 2017.

<https://www.wider.unu.edu/sites/default/files/wp2017-55.pdf>

⁸⁶ Ernesto Crivelli, Rood A de Mooij, Michael Keen, “Base Erosion, Profit Shifting and Developing Countries”, IMF Working Paper, WP/15/118, 2015.

<https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Base-Erosion-Profit-Shifting-and-Developing-Countries-42973>

⁸⁷ Tax avoidance and evasion are, by their nature, very difficult to quantify. This is particularly so in a country like Morocco, which does not always have sufficient tax data (especially when such data are not accessible to researchers and journalists) and has a large informal sector.

⁸⁸ Oxfam. 2018. The Commitment to Reducing Inequality Index 2018. A global ranking of governments based on what they are doing to tackle the gap between rich and poor.

⁸⁹ It should be noted that, overall, Morocco ranks 98th for its commitment to reducing inequality out of a total of 157 countries. The country is penalised, in particular, by the pillar concerning labour law and salaries.

⁹⁰ Oxfam. 2018. The Commitment to Reducing Inequality Index 2018. A global ranking of governments based on what they are doing to tackle the gap between rich and poor.

⁹¹ World Bank. 2013. The Moroccan Enterprise Survey.

⁹² Gouvernance, qualité institutionnelle et développement économique: Quels enseignements pour le Maroc? April 2018.