

## **The challenges and issues of local finances for sustainable urban development in Morocco**

## **Les défis et enjeux des finances locales pour un développement urbain durable au Maroc**

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## Abstract

Today, the problem of cities local finances and their governance, is at the heart of major national debates and reforms, as well as major concerns in all countries where decentralization continues and aims to strengthen the autonomy and competences of local administrations. The mobilization of local fiscal potential is a fundamental condition for promoting sustainable urban development. Despite the efforts made, local Moroccan finance, like most developing countries, does not escape an absolute reality: The scarcity of the resource. The weakness of local resources in Morocco is more related to the real low level of local tax deduction than to the economic poverty of local authorities. Many sectors of the economy have very little or no tax, while property taxes does not contribute enough to local economic activity. This article uses the case of Morocco to analyze the challenges and failures of local finances in general, and of local taxation in particular. We also discuss the tools to promote the financing of cities to promote sustainable urban development in Morocco.

**Keywords :** Local finance ; Financial governance ; Sustainable Development ; Cities ; Morocco

## Résumé

Aujourd'hui, le problème des finances locales et de leur gouvernance est au cœur des grands débats et réformes nationaux, ainsi que des préoccupations majeures dans tous les pays où la décentralisation se poursuit et vise à renforcer l'autonomie et les compétences des administrations locales. La mobilisation du potentiel fiscal local est donc une condition fondamentale pour promouvoir le développement urbain durable. Malgré les efforts consentis, la finance locale Maroc à l'instar de la plupart des pays en voie de développement n'échappe pas à une réalité absolue : La rareté de la ressource. La faiblesse des ressources financières de la ville est plus liée au faible niveau réel de prélèvement local qu'à la pauvreté économique des collectivités locales. Plusieurs secteurs de l'économie sont très peu ou pas taxés, tandis que le patrimoine foncier ne contribue pas suffisamment à l'activité économique locale. Cet article s'appuie sur le cas du Maroc pour analyser les défis et les défaillances des finances locales en général, et de la fiscalité locale en particulier. Nous discutons également des outils de promotion du financement des villes pour promouvoir le développement urbain durable au Maroc.

**Mots clés :** Finance locale ; Gouvernance Financière ; Développement durable ; Ville ; Maroc

## Introduction

Morocco has opted for a decentralized system where local authorities play a decisive role in the management of local affairs. However, this process cannot be successful without mobilizing the fiscal resources needed to cover public spending and local development (JIRAOUI & ELGRAINI, 2020). The main challenges are expressed in terms of mobilizing the fiscal potential and the need for local equipment and services that require sustainable financing to ensure improved attractiveness and competitiveness (RAISS, 1999).

Since the major reform of 30 September 1976, local taxation in Morocco has undergone several improvements with the aim of providing local and regional authorities with a legal framework enabling a simple tax system to be established, effective and consolidating local fiscal resources; efforts have been made to consolidate the autonomy of cities to make decentralization effective (JAFARI & EL MOUJADDIDI, 2016).

The reform of local taxation, the transfer of 30% of VAT revenue to local authorities and the reform of the Municipal Equipment Fund (FEC) were the main components of the policy of restructuring and revaluation of local finances. This reform has encouraged the development of local initiatives in the search for additional resources and the consolidation of the autonomy of local finances (RAISS, 1999). Despite all these reforms, the financial resources available to cities remain weak. The development generated by rapid urbanization and economic growth does not translate into local tax revenues (COUR DES COMPTES, 2015). Financing cities in Morocco, like developing countries, depends heavily on the financial support of the State and its agencies. This low return on local taxation forces local authorities to seek innovative financing to improve the profitability of local finances. Local wealth can therefore be an alternative which can compensate for low tax resources.

Also, the Regional Courts of Accounts reported that there is an important urban fiscal potential, but its exploitation is very limited, both at the level of the base and at the level of recovery. Indeed, economic development and rapid urban growth do not translate into local tax revenues (COUR DES COMPTES, 2015). In 2018, for example, resources transferred from the state to local authorities reached nearly 65%, while local resources barely reached 35% (TGR, 2019). Our reflection has therefore refocused around a central question: how to develop, strengthen and promote local finances in Morocco?

To provide elements of response to this problematic, we will begin by presenting an overview of local finances and the budget structure of local authorities in Morocco, and then present the challenges and tools for developing, strengthening and promoting local finance in Morocco.

## 1. Overview of local finances in Morocco

Local finance in Morocco is managed by a very complex system. Although local authorities come under the Ministry of the Interior, their financial resources remain under the supervision of the Ministry of Economy and Finance (and more specifically the Treasury General of the Kingdom « TGR » and the Taxes General Administration « DGI ») (BOUVIER, 2018).

According to laws n°47.06 and n°39.07, municipalities can manage the basis, collection and control of the various taxes and royalties<sup>1</sup>. However, they cannot manage the housing tax, the municipal service tax and the business tax, which are allocated in whole or in part to local authorities and managed by the state tax authorities.

The Municipal Council establishes prerogatives for local taxes and royalties, in particular with regard to the setting of local rates and tariffs, while respecting the range provided for by the law (AIT TALOUNT, 2012). It manages local taxation and handles the processing of returns and census operations.

Moroccan local taxation is characterized by the presence of a limited number of taxes with a high potential, able to raise large revenues without increasing the tax burden, and through an inefficient and inefficient tax system.

Moroccan cities have (FONDAFIP, 2015):

- Own resources (or local taxes) from wealth, taxation and royalties.
- Resources transferred (or State taxes transferred) constituted by the local authorities share of the VAT revenue.
- External resources (borrowings, grants, competition funds, donations and bequests) (RAISS, 1999).

The Law n°47.06 is a milestone in the reform of local government taxation, which is characterized by the granting of prerogatives to local authorities similar to those granted to the State tax administration and the abolition of 24 taxes and duties (HADDAD, 2000). Also, the 2008 local tax reform, was characterized by a strengthening of local taxation, particularly in terms of taxes and royalties (COUR DES COMPTES, 2015).

The governance of local taxation in Morocco is not only at the regulatory and legislative level, but is also concerned with organization, strategy, functioning and operational aspects. Financial governance involves the municipalities, the Ministry of the Interior as trustee, as well as the

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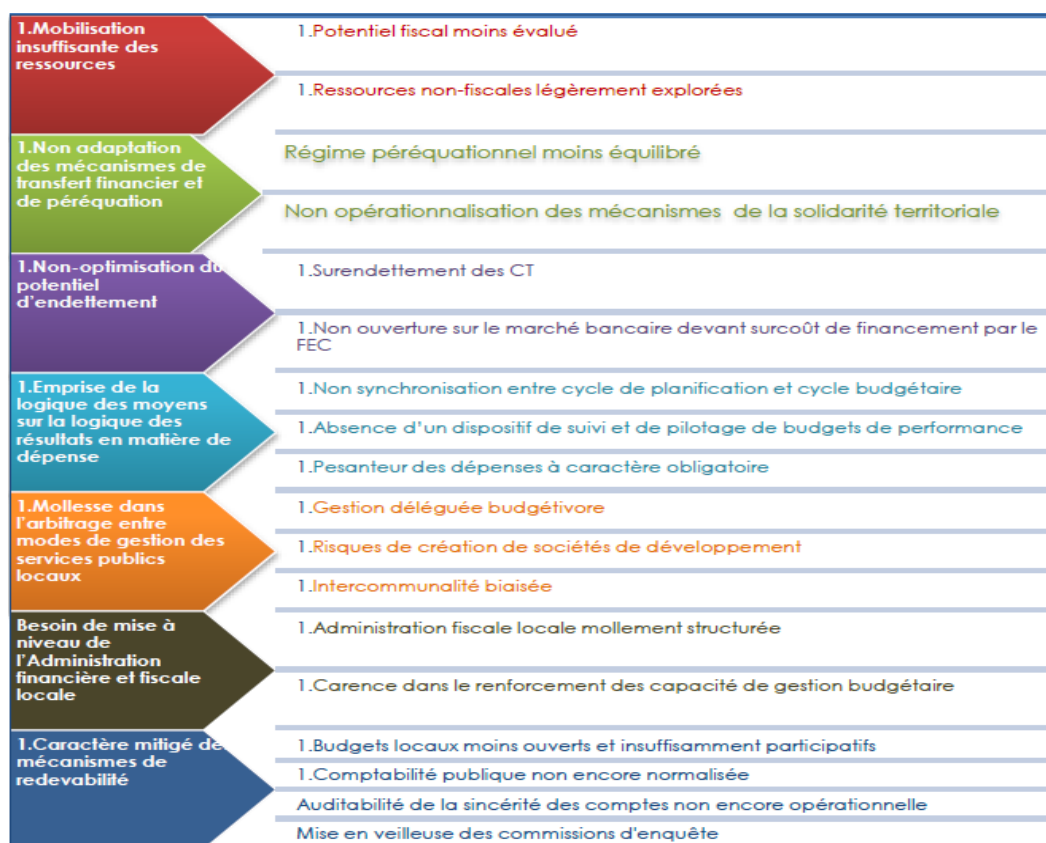
<sup>1</sup> Dahir n° 1-07-195 of 19 kaada 1428 (30 November 2007) promulgating Law N° 47-06 on the taxation of local authorities.

Ministry of Economy and Finance (specifically the Treasury General of the Kingdom « TGR » and the Taxes General Administration « DGI ») as the main actors in the local tax process (HADDAD, 2000).

Dysfunctions in the management of local taxation in Morocco are mainly due to: (FONDAFIP, 2015)

- ✚ A very complex local tax system;
- ✚ Insufficient resources of the local tax administration;
- ✚ The lack of means to promote citizens' tax culture;
- ✚ The absence of a system of governance that can take charge of tax management, in particular with regard to the taxation and implementation of taxes and royalties;
- ✚ Weak coordination and exchange of information with City stakeholders;
- ✚ Weak use of information, communication and database technologies.

**Figure 1 : Summary of problems and dysfunctions of the local finance management system**



*Source : Espace Associatif, 2018*

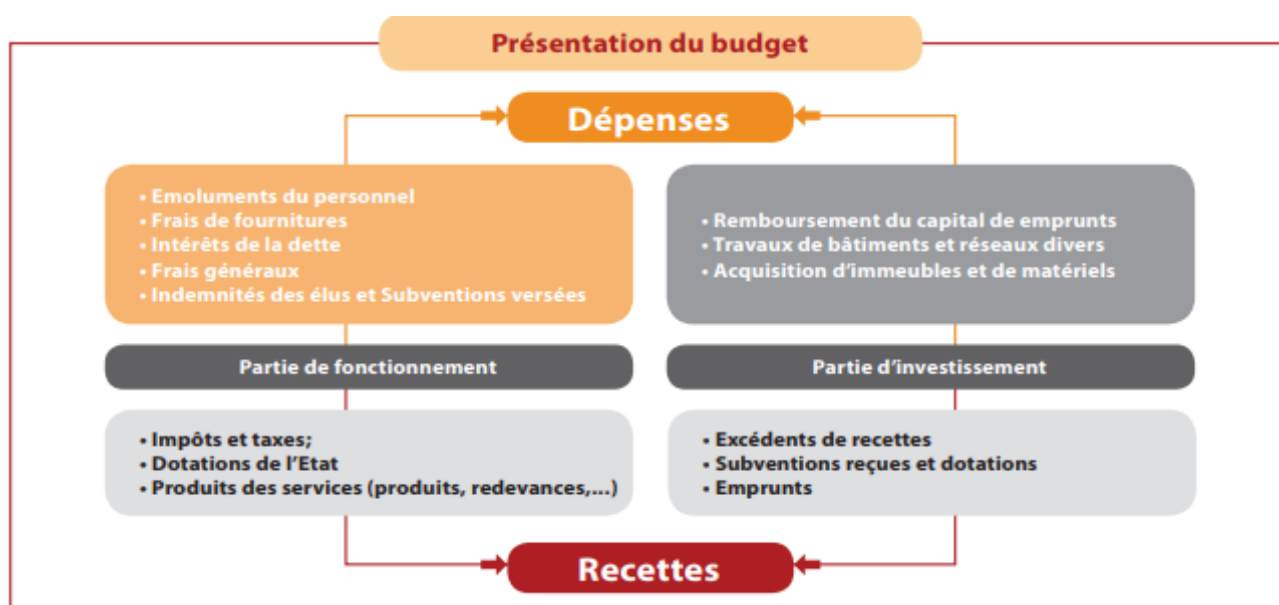
## 2. The budget structure of local authorities in Morocco

Local and regional authorities in Morocco are governed by common rules. Each community must adopt a uniform budget presentation, distinguishing between an operating and investment section (RAISS, 1999).

Generally, the budget is presented in a table subdivided into two parts:

- ❖ The first part is reserved for operating operations, both in terms of resources and expenditure;
- ❖ The second part is intended for equipment operations; it presents the resources allocated to the equipment and its use.

**Figure 2 : The presentation of the budget**



**Source: Al Khazina, Review of the General Treasury of the Kingdom « TGR » - N° 12 April 2017, The 2015 territorial reform, the novelties and the challenges**

### 2.1. The incomes of local authorities in Morocco

To meet the needs of citizens, Local and regional authorities have : (FONDAFIP, 2015)

- ✚ Own or local resources (taxes and charges which the local authority is authorized to collect by the legislation) ;
- ✚ Royalties and remuneration for services rendered ;
- ✚ Resources transferred (or State taxes transferred) constituted by the local authorities share of the VAT revenue ;
- ✚ Subsidies and Assistance fund ;
- ✚ Borrowing revenue, particularly from the Municipal Equipment Fund (FEC) ;

✚ Revenues from local privatization :

- Disposal of assets,
- Public-Private Partnership,
- Public service concessions.

✚ Donations and bequests.

As for the resources of groupings, they include the subsidies granted by the State, the participation of the communities which are members of the grouping, the products of the services rendered, wealth, authorized loans, donations and bequests, and miscellaneous revenues.

## 2.2. The charges of local authorities in Morocco

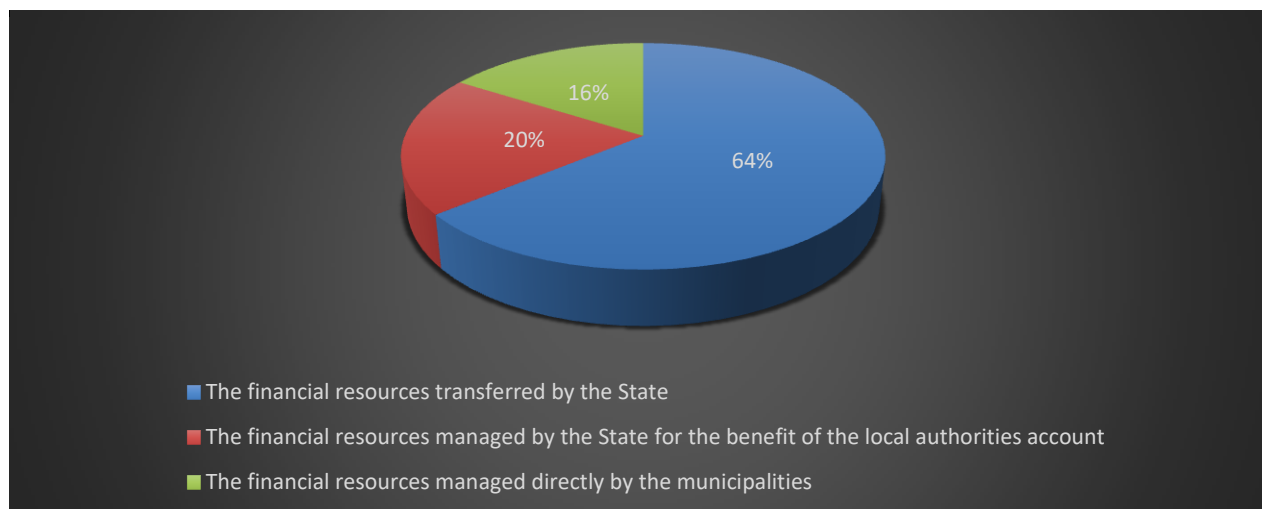
The charges of local authorities in Morocco includes: operating expenditure and capital (or equipment) expenditure. (BOUVIER, 2018)

- ✓ **Operating expenditure** : current operations of local governments and their groupings, such as staff costs, maintenance costs, materials and supplies, interest on borrowings, grants granted, participations in local or national interest operations and other miscellaneous charges ;
- ✓ **Equipment and investment expenditure** : investment and equipment operations such as capital works, property acquisitions, road constructions, installation of equipment of local interest, depreciation of borrowed capital, grants granted and participation in projects of local or national interest.

## 2.3. Dependence on State financial support

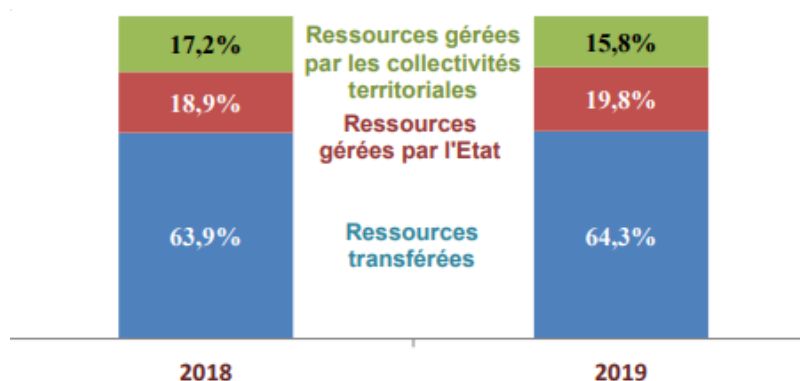
Depending on the revenue and expenditure situation of local governments in Morocco in 2019, the resources transferred by the State to the local authorities, constituted mainly by their share of the VAT revenue, represent (64,3 %) of all local tax revenues, followed by resources managed by the State services for the benefit of local authorities (19,8 %), then by resources managed directly by the municipalities (15,8 %) (TGR, 2019). This shows that cities depend heavily on state financial support. This lack of local finance in Morocco is characterized by a low return on local taxation, a superiority of operating expenses over those of investment and the inability to realize the entire capital budget (FONDAFIP, 2015). This low return on local taxation forces local authorities to seek innovative financing to improve the profitability of local finances. Local wealth can therefore be an alternative which can compensate for low tax resources.

**Figure 3: Ordinary revenue of local authorities in 2019**



Source : TGR, 2019

**Figure 4 : Resource structure of local and regional authorities in % between 2018 and 2019**

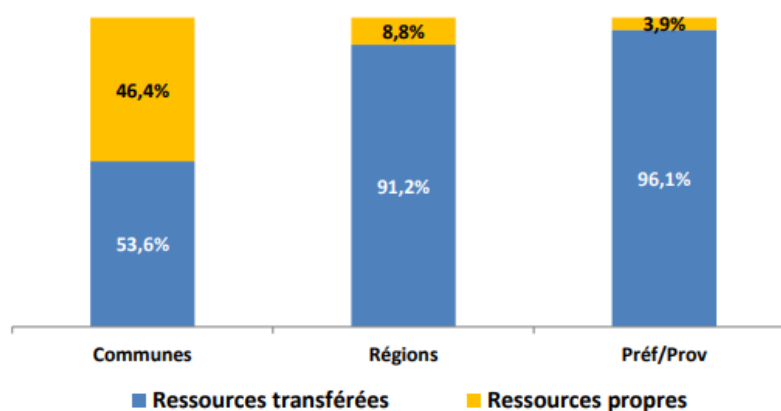


Source : TGR, 2019

These fiscal resources transferred from the State constitute 53.6% of municipal revenue, compared with 91.2% of the regions and 96.1% of the provinces and prefectures, as shown in the following graph :



**Figure 5 : Allocation of tax resources transferred between municipalities, regions and prefectures/provinces in 2019**



Source : TGR, 2019

Thus, financing sustainable urban development involves seeking funds to design strategies and implement local projects aimed at creating wealth and employment. This funding must be closely linked to the objectives of local development and the sustainability of its results (FONDAFIP, 2015).

In quantitative terms, during the 2018-2019 period, the execution of the budgets of local governments reveals the following trends :

**Regular resources grew by almost 5,5 %, mainly due to :** (TGR, 2019)

- ❖ a 14.3 % increase in direct taxes driven by a 19.9 % increase in business tax, a 33.8 % increase in the region's share of corporate income tax (IS) and income tax revenues (IR), an increase of 1.6 % in the municipal service tax, as well as an increase of 13.3 % and 43.3 % respectively in the tax on urban land and housing tax ;
- ❖ an increase of 0.2 % in indirect taxes mainly driven by an increase of 524 millions dirhams of the share of the territorial authorities in the proceeds of the tax on insurance contracts, as well as an increase of 0,2 % of their share in the product of value added tax (VAT) ;
- ❖ a 7.6 % increase in non-tax revenues resulting from an increase of 42.7 % and 38 % respectively in competition funds and grants.

This increase in the ordinary revenue of local governments can be presented under the following table :

**Table 1 : Ordinary resource situation of local governments in Morocco between 2018 and 2019 (in MDH)**

<i>In millions of dirhams</i>					
	July 2018	Forecasts 2019	July 2019	Realisation rate	Variation in %
<b>TAX REVENUE</b>	<b>20 584</b>	<b>22 696</b>	<b>21 644</b>	<b>95%</b>	<b>5,2%</b>
<b>DIRECT TAXES</b>	<b>7 204</b>	<b>9 671</b>	<b>8 236</b>	<b>85%</b>	<b>14,3%</b>
Municipal service tax	2 572	2 695	2 613	97%	1,6%
Business tax	1 776	2 169	2 130	98%	19,9%
Housing tax	228	428	327	76%	43,3%
Tax on urban land not built	988	1 143	971	85%	-1,7%
Share of regions in corporate income tax (IS)	886	1 629	1 184	73%	33,7%
Share of regions in income tax revenues (IR)	754	1 608	1 011	63%	34%
<b>INDIRECT TAXES</b>	<b>13 380</b>	<b>13 024</b>	<b>13 408</b>	<b>103%</b>	<b>0,2%</b>
Share of local authorities in VAT revenue	11 740	10 593	11 766	111%	0,2%
Share of local authorities in insurance contract tax revenue	215	430	228	53%	6%
Tax on construction operations	404	590	391	66%	-3,2%
Tax on subdivision operations	88	205	121	59%	37,7%
Tax on drinking places	120	150	127	85%	5,2%
Tax on quarry products	122	164	108	66%	-11,1%
Tourist tax	131	155	140	90%	6,4%
Port Services Tax	152	234	160	69%	5,6%
Other indirect taxes	407	505	366	72%	-10,1%
<b>NON-TAX REVENUE</b>	<b>3 634</b>	<b>5 600</b>	<b>3 912</b>	<b>70%</b>	<b>7,6%</b>
Domain (federal revenues)	478	720	407	56%	14,9%
Communal OTDP fee	464	710	470	66%	-1,4%
Competition funds	792	694	759	109%	-4,2%
Royalties revenue from wholesale markets	265	455	263	58%	-0,9%
Interest on funds invested in the	2	211	4	2%	
Subsidies	1 079	1 884	1 489	79%	38%
Miscellaneous revenue	554	926	521	56%	-6,1%
<b>TOTAL INCOME</b>	<b>24 218</b>	<b>28 296</b>	<b>25 555</b>	<b>90%</b>	<b>5,5%</b>

Source : Tableau de bord des finances publiques, Ministère de l'Economie et des Finances (DEPF), juin 2019

**Regular expenses increased by 0.6 %, mainly due to :** (TGR, 2019)

- ❖ An increase of 0.6 % in staff costs and an increase of 0.7 % in other expenditures on goods and services and 0.2 % in interest on debt ;
- ❖ An increase in capital expenditure of 5.4 %, from 6 to 6.4 billion dirhams.

This increase in the ordinary expenditure of local governments can be presented under the following table :

**Table 2 : The situation of local government spending in Morocco between 2018 and 2019 (in MDH)**

	July 2018	Forecasts 2019	July 2019	Realisation rate	Variation in %
<b>ORDINARY EXPENSES</b>	<b>13 198</b>	<b>30 452</b>	<b>13 278</b>	<b>44%</b>	<b>0,6%</b>
<b>Goods and services :</b>	<b>12 300</b>	<b>29 368</b>	<b>12 379</b>	<b>42%</b>	<b>0,6%</b>
Staff	6 661	13 529	6 699	50%	0,6%
Other goods and services	5 639	15 840	5 679	36%	0,7%
<b>Interest on debt :</b>	<b>898</b>	<b>1 084</b>	<b>899</b>	<b>83%</b>	<b>0,2%</b>
<b>INVESTMENT</b>	<b>6 005</b>	<b>34 423</b>	<b>6 331</b>	<b>18%</b>	<b>5,4%</b>

Source : Tableau de bord des finances publiques, Ministère de l'Economie et des Finances (DEPF), juin 2019

### 3. The Challenges of local finances in Morocco.

The financing of decentralization through local taxation in developing countries remains problematic. The development generated by rapid urbanization and economic growth does not translate into local tax revenue (COUR DES COMPTES, 2015). The financing of cities in Morocco, like the developing countries, depends heavily on the financial support of the State and its organizations. The main problems of local taxation are : (FONDAFIP, 2015)

- ✚ **The existence of spatial and socio-economic inequalities between municipalities :** The presence of a large number of municipalities leads to a reduction in their financial possibilities and thus a decrease in development opportunities (RAISS, 1999) ;
- ✚ **Inequality in the distribution of resources between the State and local authorities :** In Morocco, as in most developing countries, the State is assuming the monopoly of taxes. It also grants itself the most productive taxes and leaves local governments with less productive and more difficult taxes to recover (YATTA, 2014) ;
- ✚ **The absence of information systems :** In most developing countries, data are only available at national level (FONDAFIP, 2015) ;

- ✚ **The presence of a very important informal economy** : Moroccan cities are characterized by a relatively high poverty rate and a very important informal economy (FMDV, 2014) ;
- ✚ **The weak autonomy of local governments** : In Morocco, as in most developing countries, central services intervene with local authorities through supervision and guidance systems, reducing their autonomy (RAISS, 1999) ;
- ✚ **Deficiency in accounting and budgetary management** : The ambiguity and anachronism of some legislative provisions creates challenges for the local finance sector ;
- ✚ **Weak control of local finances** : Moroccan cities are characterized by the lack of effective tools and mechanisms to control local finances (ADIDI, 2016) ;
- ✚ **Low income levels among the local population** : Moroccan cities are characterized by relatively high unemployment rates and low-income levels among the local population (PFVT, 2017) ;
- ✚ **Weak identification of taxpayers** : For some local taxes, it is difficult to identify taxpayers ;
- ✚ **Weak capacity of local government** ;
- ✚ **Low exploitation of local royalties** : Some local royalties are often little or poorly exploited, especially in terms of pricing ;
- ✚ **Low exploitation of some local taxes, such as property taxes** : Reports on local taxation in developed countries show that property taxes, both on buildings and on land not built, represents the largest share of local taxes (FONDAFIP, 2015) ;
- ✚ **A low return on certain local taxes** : Local taxation in Morocco is characterized by the presence of a multitude of local taxes with often very low yields. A revision of the definition of the base for certain local taxes may provide a sufficient level of local revenue ;
- ✚ **A lack of autonomy in determining the tax base and rates**, particularly at the level of housing, professional and communal services taxes (YATTA, 2014) ;
- ✚ **Irrationality in the distribution of local expenditure** : In Morocco, local taxation is not enough to finance operating expenditure. Cities therefore use financial transfers from the State, intended to finance capital expenditure, to finance operating expenditure ;
- ✚ **Lack of rationality in overall human resources management** (SAFIR, 2015) ;
- ✚ **The absence of a consolidated vision of all city expenditures and revenues** : the cities do not have sufficient information on the resources and the forecast expenditure ;
- ✚ **A less developed institutional framework for cities** (FMDV, 2014) ;
- ✚ **Political resistance to decentralization** : Due to conflicts of interest between the city's political actors ;

- ✚ **Low identification and mobilization of the fiscal potential of cities** : According to a report on local taxation by the Court of Auditors in Morocco, there is a very important but poorly exploited fiscal potential. The economic and demographic growth of cities in Morocco, do not translate into tax revenues (COUR DES COMPTES, 2015) ;
- ✚ **The lack of qualified human resources to manage and track local tax base** : Some small and medium-sized cities cannot attract or retain qualified human resources, particularly because of the lack of equipment, the low attractiveness of these cities and the relatively low level of pay (and which pushes the most qualified managers to seek better-paying jobs). In addition to this, the lack of training for the staff of local authorities (RAISS, 1999) ;
- ✚ **The weakness of the use of information technology, communication and exploitation of databases** : In some small and medium-sized towns, the use of information, communication and database technologies is very low (using very old and outdated systems) (ICPC, 2012) ;
- ✚ **Low collection of local debts** : mainly due to the lack of qualified human resources to manage the local tax base and monitor their recovery ;
- ✚ **Low private sector participation in the financing and production of the city** (FONDAFIP, 2015) ;
- ✚ **The weakness of the coordination between the different actors of the city** : mainly due to poor communication between city actors, the lack of coordination between national strategies and local development objectives, and the lack of tools and mechanisms to manage the financial governance of cities (BEAUPUY, 2008) ;
- ✚ **Lack of tools for good governance of local resources**, including transparency of public spending, accountability, predictability and citizen participation (HABITAT III, 2016).

#### 4. Tools to promote local finance in Morocco

In order to meet the challenges of promoting financing for cities and sustainable urban development, cities need to have greater capacity to mobilize financial resources. Generally, in cities in developing countries, there are significant gaps between needs and funding, which involves developing approaches to optimize resources with significant leverage effects, particularly for capital expenditure. The French partnership for cities and territories in France has proposed the following tools (PFVT, 2017) :

- ✚ **Ensure efficient and transparent management of local financial resources** : this management must respect the principles of good financial governance, strategic allocation of financial resources, coordination of actions, effective and efficient delivery of public services. It is a major condition for the credibility and solvency of cities (DESCHAMPS & GARDINAL 2018).
  - Cities must therefore strengthen their financial engineering capacities, support local officials, and put in place action plans to improve elected officials' capacities, to determine objectives, to seek suitable financing and to monitor and evaluate the implementation of projects ;
  
- ✚ **Strengthening the financial autonomy of cities and ensuring the equitable sharing of national resources** : the transfer of competences to cities must be accompanied by sufficient and appropriate financial resources “balanced and efficient allocation of resources” to provide cities with stable and predictable resources. The principles of predictability and regularity are indispensable conditions for the financial autonomy of cities.
  - Cities must therefore have stable and predictable transfers of resources, and develop regulatory frameworks to mobilize own resources, particularly through strengthening local taxation.
  
- ✚ **Strengthening local taxation** : it means mobilizing greater own resources at city level, a large part of these resources comes from their tax and non-tax revenues (taxes, contributions, royalties). The decision-making capacity of the local authorities in defining the base and the rate determine their financial autonomy. Many factors make the collection of local taxes very complex, including :
  - Low income among local people,
  - Low identification of taxpayers,
  - Low yields of some local taxes,
  - Weak local government capacity,
  - Corruption.
  - Cities must therefore strengthen and diversify their tax bases through (LAFKIH, 2017) :
    - Tariffs on certain basic urban services,
    - The optimization of the resources related to property taxation, through the optimization and modernization of tax collection and information systems,

- Land valuation, through the reinforcement of the efficiency of urban land markets and the orientation of urban growth towards places able to accommodate the facilities.

✚ **Diversifying the sources of funding for cities (external resources)** : in addition to own and transferred resources, cities also need external resources to strengthen their investment budget. However, in some developing countries, financial institutions cannot easily lend to local authorities because of their insolvency and low repayment capacities.

- The State must support cities in expanding their access to external resources, particularly in international markets, financial companies and commercial banks. It is therefore necessary to support the structuring of the financial market and to diversify and adapt products according to the capacities of local authorities. Guarantee mechanisms must be put in place to facilitate local authorities' access to financial markets, such as sub-sovereign loans requiring a State guarantee, or development bank guarantees (PFVT, 2017).

Local authorities with a strong tax base can also take on international debt through the issuance of “bond” debt instruments. This enables large amounts of funds to be mobilized to finance large-scale projects<sup>2</sup>.

✚ **Strengthen cooperation with private partners** : in addition to financial markets, cities can strengthen cooperation with private operators to mobilize additional external resources and finance their investments, particularly through the use of public-private partnerships. This tool allows cities to partner with private operators and benefit from their financial base. (ICPC, 2012)

- Cities must therefore strengthen and encourage cooperation with private partners. Among these options, city managers have several options : (FONDAFIP, 2015)
  - Disposals of assets,
  - Public-Private Partnerships,
  - Public service concessions.

✚ **Strengthen the capacity of city managers** : Good financial governance of cities and resource mobilization involves strengthening the capacity of city managers (PFVT, 2017). Thus, urban business management must be based on private enterprise

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<sup>2</sup> Directorate-General for Finance and Public Accounts, tax forms for use by agents of local authorities and institutions, France, May 2017

management methods (FONDAFIP, 2015), “Our cities today need more strategic managers, competent and qualified, capable of transforming our cities into islands of prosperity, know-how, competitiveness and innovation” (SEDJARI, 2000).

- Cities must therefore support and strengthen the capacities of local officials (elected officials, managers, financial directors) through training and the use of intermediaries and experts (OMAS & AÏT LEMQEDDEMH, 2020). This allows cities to improve the effectiveness of local stakeholder engagement, promote access to the financial market, and diversify their sources of funding (PFVT, 2017).

Other tools can be applied to promote financing for cities and sustainable urban development, among them (AIT TALOUNT, 2012) :

- ✚ **Decentralize local tax management systems** : decentralization of tax management systems would strengthen the financial autonomy of local authorities, develop local resources and reduce recovery costs.
  - The city must therefore create a financial and tax service capable of taking charge of, identifying and identifying the taxable matter, carrying out the recovery and even handling the local tax disputes.
- ✚ **Raising awareness of tax payers** : the quality of services provided to citizens complicates the collection of taxes, “Many taxpayers note that there is no concrete achievement that local communities can only ask for money annually”. There is a crisis of public confidence in local elected officials. (AIT TALOUNT, 2012, p.130)
  - Raising awareness of tax payers can be achieved by associating them with the determination of the city’s main priorities.

The problem of financing cities is not only related to the financial means, but to the different ways of mobilizing, managing and guiding them (FMDV, 2014) : *appropriate financial governance mechanisms*. Cities must therefore mobilize sufficient resources and manage them well while respecting the principles of financial governance (MOINDZE, 2010).

## Conclusion

Local finance has undergone several reforms aimed at strengthening the financial autonomy of cities and reaffirming the central role of municipalities in the economic and social development of the Kingdom. These reforms sought to remedy the shortcomings of the local tax system by broadening the scope of taxation by apprehending new taxable matters, the codification of local taxation and the linkage between state and local taxation, both at the organizational level and at



the level of management and accountability of the local authorities. These are the new communal charter, the new decree on the administrative division, the new electoral code and the application of Law n° 47-06 on the taxation of local authorities and their groupings, and Law n° 45-08 on the organization of the finances of local authorities and their groupings. These new reforms have been seen by the decentralized authorities as a major breath of fresh air which should enable them to improve the profitability of local taxes, to strengthen their own resources and, consequently, to develop greater financing capacities, to modernize their financial management and to lighten the supervision of central government (LAFKIH, 2017).

In addition, strengthening the financial resources of cities in Morocco is one of the fundamental objectives of advanced regionalization, the achievement of which continues on two levels: in terms of the resources transferred and of own or local resources. Financial transfers from the State are intended to remedy the inadequacies of local taxation, but they put cities in a position of dependence on the finances of the State, thus limiting their local and financial autonomy (RAISS, 1999).

Mobilizing local fiscal potential is therefore a fundamental condition for promoting sustainable urban development. The objective is to provide cities with secure and permanent resources free of the vagaries of the state budget (YATTA, 2014). Despite the efforts made, local finance in Morocco, like most developing countries, does not escape an absolute reality: the scarcity of resources. The weakness of local resources in Morocco is more related to the low real level of local levies than to the economic poverty of local authorities. Many sectors of the economy are taxed very little or not, while land wealth does not contribute sufficiently to local economic activity (FMDV, 2014).

Financial and fiscal elements play an important role in promoting the financial governance of sustainable urban development. It is necessary to guarantee sufficient financial resources to local managers to enable them to carry out their tasks, and among them, resources of fiscal origin. In order to obtain additional financing, local and regional governments must be made more attractive to investors (strong tax base and good local financial governance). In addition to private operators, cities need to diversify and expand their sources of financing, particularly from international donors (international markets, financial corporations and commercial banks). This enables significant funds to be mobilized to finance large-scale projects.

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