CHAPTER 2

Morocco’s New Development Model: Charting the Course for a Human-Capital-Led Development

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INTRODUCTION

In November 2019, a Special Commission on the Development Model (SCDM) was established by King Mohammed VI of Morocco to think through and elaborate a new development model for the country. This chapter discusses the features of this commission, its unique process, and how it led collectively to proposing a new human-capital-led development model.

Morocco’s rethinking of its development model did not start with the SCDM. It dates back to 2017, when King Mohammed VI highlighted the country’s slow development and limited growth and called on all stakeholders to rethink Morocco’s development model. Since then, several contributions and debates have focused on the topic, confirming the country’s capacity to look inward. Ten years after adopting a new constitution, Morocco stands as a pioneer in rethinking its development model and charting the course for promising development perspectives.

The SCDM’s mandate was to review the state of Morocco’s development through a co-construction and participative approach involving all of its economic, political, civil, and social stakeholders. This review had to be (1) strategic, focusing on identifying and resolving systemic issues, particularly those behind the fatigue of the current development model; (2) global and integrated, focusing on development through its various dimensions, in concert with the principles and values stated by the constitution of Morocco; (3) forward looking, taking stock of mid- to long-term evolutions of the national and international contexts; and finally, (4) citizen centered, taking into account the country’s realities, its assets, and its particularities.

The new development model (NDM) is the result of a participatory approach where Morocco’s driving forces contributed through different channels. The NDM report, “Releasing Energies and Regaining Trust to Accelerate the March
of Progress and Prosperity for All,”1 brings a bold ambition that requires the full mobilization of the entire nation to be achieved.

The NDM report outlines a new development model, sets out a national ambition by 2035, and charts a realistic and achievable path for change. This ambition would allow the country to reach a new level of inclusive and sustainable growth.

Its objective is to suggest guiding principles and building blocks for an inclusive and transformative development strategy around which key players can rally. It is a vision meant as a catalyst for reform to accelerate the rollout of priority development strategies to meet the desired goal.

The NDM takes the current constitution, voted on in 2011, as its framework. Its proposals fit under the spirit and content of the constitution, particularly in terms of its choice of democracy, separation and extent of institutional powers, values and norms, and development objectives.

The NDM report also draws on Morocco’s millennial history, which has shaped the national identity and enriched it with a wide range of cultural influences. This depth of history underpins Morocco’s distinctive nature as a crossroads of civilizations and a land of peace, dialogue, and coexistence, and predisposes the country to actively contribute to building this thriving new world.

ELABORATING THE NEW DEVELOPMENT MODEL

The NDM was elaborated by leveraging three perspectives. The first is a frank and clear-sighted diagnosis to identify the main bottlenecks explaining Morocco’s slowdown in development. This diagnosis was made both using current analyses as well as consultations by citizens, institutional and economic stakeholders, and experts.

The second is a highlight of key citizens’ expectations and aspirations for the future, as expressed during the consultation and hearings process. During this process, the SCDM sought to gather the country’s achievements as perceived by citizens, and it heard about the obstacles hindering the country’s development path through the eyes of Moroccans and in connection with their aspirations.

The third is a forward-looking approach to identify structural trends and transformations that are expected in the medium term, both at the national and international levels. The objective was to reposition all national evolutions into a deeply changing global context, and to consider the complexity and uncertainties such transformations entail.

Morocco’s development trajectory witnessed a sustained development momentum starting in the mid-1990s before experiencing a slowdown in the late 2000s. Infrastructure modernization, the launch of ambitious sectoral strategies, and Morocco’s commitment to an extensive renewable energy program provided sound economic policies and paved the way for the future. However, despite bold reforms undertaken to answer popular and political expectations in the wake of the 2011 Middle East and North Africa region upheavals and following the 2008

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global financial crisis, a lack of trust gradually took hold in the country, fueled by the slowing economic growth and growing social inequalities.

This diagnosis was based on a review of the current development model to identify strengths, weaknesses, and areas for improvement, particularly through consultations with stakeholders and leveraging of existing literature. The diagnosis led to the identification of four systemic bottlenecks impeding Morocco’s development (Box 2.1).

In line with the royal orientations of King Mohammed VI, the SCDM conducted extensive consultations with citizens and key players to ensure that all views and critical feedback from citizens were taken into consideration in designing the new model. It met with nearly 10,000 people over the 12 regions of the country, as well as Moroccans living abroad. During this process, a majority of citizens voiced concerns and expectations in these areas: the quality of public services, the access to economic opportunities and employment, and the effectiveness of good governance principles.

The NDM also took into consideration domestic and global changes projected by 2035, integrating associated risks and opportunities. Considering the upcoming complexity and uncertainty that the world is facing, there is a need for renewed governance models combining agility and anticipatory risk management.

At the national level, significant demographic, social, and environmental changes are projected. At the international level, fundamental changes are also likely to occur, some of which were accelerated by the COVID-19 pandemic. On the economic front, the world order is likely to undergo major changes, as competition between major powers intensifies and multilateralism weakens. The COVID-19 crisis and recent geopolitical tensions are likely to lead to shorter and regionally refocused global value chains, which will present important opportunities for Morocco.

Finally, regional and global epidemic risks are set to become frequent, which requires greater effectiveness and efficiency in meeting health care needs in an

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**Box 2.1. Four Systemic Bottlenecks That Are Hindering Morocco’s Development**

1. The lack of vertical coherence between the development vision and the announced public policies, and the weak horizontal convergence between these policies
2. The sluggish pace of the economy’s structural transformation, hampered by high input costs and barriers to entry for innovative and competitive new players
3. Limited public sector capacity in providing and ensuring access to high-quality public services in critical areas for citizens’ daily lives, well-being, and empowerment
4. A sense of legal insecurity and unpredictability that limits initiatives, as a result of a perceived disconnect between legal “gray areas” and social realities on the ground, and because of a lack of citizens’ trust in the justice system, a burdensome bureaucracy, and ineffective appeals

Source: Author, based on Morocco’s New Development Model, April 2021.
anticipatory approach. This also calls for renewing the business models of severely impacted sectors, such as tourism, and for greater sovereignty over key sectors, such as agriculture.

THE FOUNDING PILLARS OF THE NEW DEVELOPMENT MODEL: FROM AN AMBITION TO STRATEGIC DEVELOPMENT CHOICES

The NDM suggests a strong ambition for the country by 2035. Considering Morocco’s assets, this ambition is within reach and can help mobilize the nation’s driving forces. It can be summarized as follows:

In 2035, Morocco is a democratic country where everyone can fully take control of their future and realize their potential, and live with dignity in an open, diverse, just, and equitable society. It is a country that creates value and develops its potential in a sustainable, shared, and responsible manner. Capitalizing on its significant progress at the national level, Morocco is established as an exemplary regional power at the forefront of the major challenges facing the world.

Achieving this ambition calls on simultaneously pursuing the following five objectives:

1. A prosperous Morocco, creating wealth and quality jobs to match its potential
2. A skilled Morocco, where all citizens have the capacities enabling them to take charge of their lives and contribute to value creation
3. An inclusive Morocco, offering opportunities and protection to all, where social ties are consolidated
4. A sustainable Morocco, where resources are preserved across all territories
5. A bold Morocco, as a regional leader in promising areas of the future

These objectives are backed by ambitious, yet achievable, quantitative targets (Box 2.2), which are likely to position Morocco into the first half, or even the upper third, of the main international rankings by 2035.
A New Organizational Doctrine as a Base for the Development Framework

The NDM brings about a new development framework that suggests renewed ways of doing things and of continuing its development. It also emphasizes the required capacities and means to reach higher levels of success in implementing reforms and projects and delivering results for citizens. This development framework is based on a new organizational doctrine that can federate common action and seal the stakeholders’ commitments. This new doctrine redefines the role of the state and clarifies the stakeholder’s responsibilities. It advocates for a complementarity and a balance between (1) a strong democratic state and (2) a strong plural society:

1. A state with reinforced strategic capacities, materialized by the effectiveness and efficiency of its policies, which guarantees the security, dignity, and freedoms of Moroccans and protects them in the face of weaknesses and crises
2. A plural society, fully mobilized and empowered, which values and leverages the capacities of the individuals and groups that compose it, is committed to defending the general interest, and devotes its efforts to promoting the values of good and responsible citizenship

The balance between a strong state and a strong society has implications for the roles of the main stakeholders: public, private, or third sector. It strengthens their legitimacy as well as their representativeness. It widens their scope of intervention and space for contribution to the creation of material and immaterial wealth. It empowers them in implementing the new model while promoting complementarity among the various stakeholders for increased effectiveness of the collective action.

This new organizational doctrine comes with common principles that should guide the action of all stakeholders. These principles aim to guarantee an effective and systematic implementation of the proposed doctrine and to ensure joint progress toward the development objectives. They embody the method, the how, of the NDM around five interconnected principles of action:

1. Focusing the action on citizen impact with results-driven actions
2. Adopting a systemic, co-constructive, and collaborative approach to development
3. Developing capacities of all stakeholders
4. Encouraging subsidiarity and territorial development
5. Ensuring environmental and financial sustainability of development projects

This new organizational doctrine calls for a framework of trust and responsibility to secure the stakeholders’ commitments and to guarantee transparent rules that apply to all. It is based on (1) an independent and efficient justice that protects freedoms; (2) integrity, exemplarity, and ethics of the bearers of a public mission; (3) independent and efficient governance and economic regulation institutions; (4) access to information and accountability; and (5) a reinforced representative democracy that is in complementarity with the participative
democracy and a larger citizen participation. The overall objective is to establish trust among citizens and institutions, between the political and economic spheres, and between the state and the civil society.

The Four Strategic Transformation Pillars of the Development Model

The NDM has identified four strategic pillars (Table 2.1) that stand as priority areas to meet the urgent needs of the citizens. These pillars are meant to trigger a new dynamic of value creation that structurally includes all citizens and territories, sustainably harnesses the country’s potential, and seizes available opportunities. A number of these options consolidate current practices and accelerate ongoing reforms, whereas others break with the past, at least in method if not in direction, and require fundamental changes in mentality and approach.

<table>
<thead>
<tr>
<th>Transformation priority area</th>
<th>Pillar 1: Toward a productive and diversified economy that creates value and quality jobs</th>
<th>Pillar 2: Toward enhanced human capital that is better prepared for the future</th>
<th>Pillar 3: Toward opportunities for inclusion for all and a stronger social bond</th>
<th>Pillar 4: Toward sustainable and resilient territories, where development sets deep roots</th>
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<tr>
<td>Strategic choices</td>
<td>1. Make the entrepreneurial initiative secure.</td>
<td>1. Quality education for all 2. A system of university education, vocational training, and research centered on performance and spurred by autonomous governance that promotes responsibility</td>
<td>1. Empower women and ensure gender equality and participation. 2. Promote the inclusion of young people and their fulfillment by multiplying opportunities and means of participation.</td>
<td>1. Bring forth a prosperous, dynamic “Morocco of the Regions.” 2. Ensure an innovative reengineering of the territorial hierarchy. 3. Promote integrated territorial organization, improve the housing and the living environment, and improve connectivity and mobility. 4. Preserve natural resources and enhance the resilience of territories to climate change. 5. Safeguard water resources through better use of the resource and more rigorous management of its scarcity.</td>
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<td>2. Steer economic stakeholders toward productive activities.</td>
<td>3. Quality health services and health protection as fundamental rights of citizens</td>
<td>3. Build on cultural diversity as a lever for openness, dialogue, and cohesion.</td>
<td>4. Develop a common base for social protection that enhances resilience and inclusion and gives substance to solidarity among citizens.</td>
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<td>3. Achieve a competitiveness shock.</td>
<td>4. Establish a macroeconomic framework dedicated to growth.</td>
<td>5. Promote integrated territorial organization, improve the housing and the living environment, and improve connectivity and mobility.</td>
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<td>4. Establish a macroeconomic framework dedicated to growth.</td>
<td>5. Emergence of the social economy as an economic sector in its own right.</td>
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Source: Author.
Morocco’s economic growth has significantly accelerated over the past two decades thanks to major efforts to modernize the economy, the conduct of structural reforms, greater economic openness, and significant investment in infrastructure. Despite these efforts, the Moroccan economy witnessed a slower pace of growth over the last decade, which strongly exposes Morocco to the risks of the middle-income trap.

The analysis of the current structure of the Moroccan economy reveals factors behind the slow pace of its structural transformation. First, the economy’s modernization still has room for improvement. Of all Moroccan companies, 64 percent are very small businesses with fewer than 10 employees. Similarly, only 10 percent of Moroccan companies operate in the industry sector, whereas 21 percent are in construction, 28 percent in trade, and 41 percent in services. Second, the economy is not diversified enough, which requires opening up to new activities and new skills. Third, more efforts should be geared toward upscaling the economy to increase local content and added value. Fourth, the productive system strongly relies on the domestic market with a limited number of exporting companies. Hence, guiding Moroccan businesses toward exports is essential to fuel the economy’s openness. In this perspective, the NDM’s aim is to increase the number of exporting companies to 12,000 (vs. 6,000 as of 2022) and to raise Morocco to among the top 50 countries in the Economic Complexity Index ranking.

The NDM’s objective is to lay the foundations for strongly accelerating the pace of economic growth and achieving a successful economic takeoff with diversified sources of growth. The NDM targets a GDP growth of 6 percent on average annually, driven in particular by the added value of medium- and high-technology industrial activities (50 percent of industrial value added). Such growth will stimulate the creation of decent jobs and finance the NDM’s ambitions, particularly when it comes to social sectors.

Morocco’s economic growth is expected to be more efficient and more resilient. It should rely more on productivity gains with a better allocation of investment toward productive capacities. It should also have a more diversified productive base that offers formal and skilled jobs, especially for youth and women. However, economic growth cannot be driven only by the state’s effort. The role of the private sector is essential when it comes to value creation. Hence, achieving a productive transformation requires an entrepreneurial and innovative private sector that is capable of taking risks and exploring new sectors and markets while withstanding international competition.

Such an objective requires actions intended to secure entrepreneurial initiatives as well as steering economic stakeholders toward productive activities, through a regulatory framework ensuring fair competition and promoting the entry of new innovative and competitive players. Five proposals are suggested to achieve a productive and diversified economy.
Making the entrepreneurial initiative secure. Considering the current obstacles to entrepreneurship, the NDM’s aim is to guarantee stable and impartial rules for all economic operators, who must find a trusted partner in public administration. This calls for significantly improving the business environment to lift obstacles, reduce uncertainty, and eliminate corruption. In this regard, there should be a systemic elimination of administrative and regulatory barriers to simplify relevant measures and procedures. Guaranteeing a healthy, competitive functioning of markets is also a precondition for boosting private initiative. Businesses should be protected effectively by granting access to a transparent, impartial justice system that can enforce judgments.

Steering economic stakeholders toward productive activities. Public interventions should encourage private operators to invest in new activities conducive to modernization, diversification, upscaling, and internationalization. The NDM suggests concrete proposals for achieving this objective. They include developing a national economic transformation policy to unleash Morocco’s growth potential in all sectors but also setting up a harmonized steering and implementation mechanism to achieve strategic sectoral ambitions.

The NDM also recommends revisiting the incentive framework to steer investors toward productive activities and to support the development of small and medium enterprises more actively. It is also about supporting businesses in strengthening their managerial, organizational, and technological capacities. There is also the need to establish a framework conducive to promoting innovation within companies and facilitating the emergence of regional and global start-ups.

Guiding Moroccan businesses toward exports is also essential to fuel the economy’s openness. In this regard, the NDM’s aim is to increase the number of exporting companies to 12,000 (vs. 6,000 as of 2022) and to raise Morocco to among the top 50 countries in the Economic Complexity Index ranking. Last, the NDM also calls for the integration of the informal sector through an incentive-based, gradual approach suited to the nature of stakeholders.

Achieving a competitiveness shock. Despite Morocco’s numerous competitive advantages, production factors remain relatively expensive. Those costs hinder the competitiveness of Moroccan companies and undermine the country’s attractiveness with foreign investors.

Hence, structurally transforming Morocco’s economy requires strong action on the cost of production factors by reducing costs linked to energy and logistics. Thus, the NDM calls for achieving a significant leap in competitiveness and allowing the production system to meet the challenges of competition in domestic and international markets.

When it comes to energy, it is essential to reduce costs by reforming the sector and using renewable and low-carbon energy. In this sense, the NDM calls for a major reform of the electricity sector that should be combined with a short-term effort of production cost reduction. In 2018, Morocco’s energy bill amounted to 82 billion Moroccan dirhams, of which 80 percent represents the oil bill. This is in a context where the demand for energy is increasing (it was multiplied by 1.5...
Box 2.3. The New Development Model’s Bets for the Future: Morocco as a Regional Financial Hub

The new development model’s aim is to make Morocco an attractive financial center, where large and small Moroccan and African businesses with high growth potential can raise financing—a center that attracts substantial financial flows in search of profitable investments in promising areas for the future. In addition to meeting internal needs for traditional or alternative financing, Morocco would be able to capture market shares in Africa (beyond the banking sector), particularly with regard to the financing of major projects. The status of regional financial center, that is increasingly dematerialized to be at the forefront of technological innovation in the financial sector, could also be consolidated by confirming Morocco as a regional platform for commodity trading in cooperation with certain international reference centers in this field.

Source: Author, based on Morocco’s New Development Model, April 2021.

between 2007 and 2019). Hence, the NDM suggests reducing the energy cost for energy-intensive industries to 0.5 dirham/kilowatt-hour.

As for logistics, it is also important to restructure the sector. Achieving this mostly depends on the ability to modernize and structure the logistics sector to improve its quality of service and performance and to reduce costs. The NDM’s aim is to lower the cost of transport and logistics to 12 percent of GDP by 2035.

Establishing a macroeconomic framework dedicated to growth. Morocco enjoys a stable macroeconomic environment and financial system that can be improved further to stimulate economic growth. Three proposals summarize the NDM’s vision for the macroeconomic framework. First, it calls for optimizing budgetary expenditure through new management instruments. Second, it suggests reducing the tax burden weighing on productive and competitive activities. Third, it recommends accelerating efforts toward diversifying mechanisms for financing the economy, including banks, capital markets, fintech, and all innovative nonbank solutions. In particular, the NDM advocates for creating the right conditions for further development of capital markets (Box 2.3).

Emergence of the social economy as a full-fledged economic sector. No less important, strong action should be geared toward the emergence of the social economy whose turnover only represents 2 percent of Moroccan GDP and less than 4 percent in terms of jobs. The NDM proposes to increase its share in GDP to 8 percent by 2035. This implies ending with a vision of the social economy being dominated by low-added-value activities in order to have it emerge as an economic sector in its own right.

The social economy presents high potential for creating added value and jobs, particularly at the territorial level. It can provide jobs to complement positions in the commercial and public sectors. It can also be a producer of public services, particularly in health and education, through an experimental approach. Achieving this requires adopting a founding framework for the new social economy and developing innovative social entrepreneurship.

The NDM puts a strong emphasis on the urgent need to consolidate Morocco’s human capital to enable all citizens to shape their own future, realize their potential in full autonomy, and contribute to their country’s development and its integration into the global knowledge-based economy. The goal is also to jump-start the social elevator, ensuring equal opportunity for young Moroccans and thereby strongly mitigating the weight of the economic and social inequalities.

Aware that the education sector stands as a primary concern for citizens and Moroccan society, the NDM’s ambition is to launch a genuine Moroccan educational renaissance. Moroccan schools should enable every student to acquire fundamental skills to promote the nation’s academic and professional success and to ensure its socioeconomic integration. One of the targets projected by the NDM is that by 2035, more than 90 percent of students should have acquired these fundamental academic skills by the end of primary school, compared to less than 30 percent in 2020.

The NDM advocates focusing on four fundamental levers of an educational renaissance, complementing Vision 2030 and subsequent legislation:

1. Investing in teacher training and motivation to enable teachers to become guarantors of learning
2. Reorganizing the school curriculum and assessment system to ensure the success of every student
3. Renovating academic content and methods for effective and fulfilling teaching
4. Empowering schools to become drivers of change and stakeholder engagement

Achieving this educational renaissance calls for establishing specific steering and implementation systems, supported by strong political will and commitment to partnership among all stakeholders; aligning resources with objectives; and enhancing stakeholders’ capacities and the autonomy of local stakeholders as well as academies and schools. The quality of higher and vocational education and the development of scientific research are also essential to speeding up Morocco’s development and establishing it as a competitive nation in the long term.

The NDM also recommends an in-depth modernization of public and private higher education institutions and faster development of vocational training courses and hybrid and work-study learning methods; the primary objective is to provide young Moroccans with the means to acquire skills and improve their job market prospects.

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Access to affordable and quality health care is also among the pressing demands of Moroccan citizens. The NDM stresses the need to ensure access to quality health services and health protection as a fundamental right of citizens. Furthermore, new challenges raised by the COVID-19 crisis and the risk of future health crises require urgent measures to strengthen the health care system with regard to monitoring, prevention, and resilience.

To this end, the NDM puts forward major policy proposals with the following aims:

- Accelerating universal access to basic medical coverage
- Substantially strengthening the overall supply and quality of care, specifically through investing in human resources, upgrading health professions, enhancing public hospitals, and optimizing patient care
- Strengthening the overall system efficiency by overhauling health system governance so as to make all public and private actors accountable, overseeing and normalizing operations, including at the territorial level, by digitizing all health system management processes
- Ensuring a more transparent and rigorous regulation of the pharmaceutical sector so as to promote a competitive local industry, particularly for generic drugs

Pillar 3: Toward Opportunities for Inclusion for All and a Stronger Social Bond

The third NDM pillar relates to opportunities for inclusion for all and the imperative of consolidating social ties. Gender equality and the political, economic, and social participation of women are major challenges for modern Moroccan society, as both are essential conditions for an open, cohesive, and supportive society. The new model seeks to substantially raise levels of participation of women in economic, political, and social spheres.

The NDM also advocates for strengthening the inclusion and development of young people through an integrated policy that is specifically dedicated to them. Morocco’s development hinges on free, fulfilled, competent, and enterprising youth. Morocco’s youth aged 15–34 account for 33 percent of the population, of which more than 4.5 million are inactive (that is, neither in employment, nor in education, nor in training). Providing young people with the skills and opportunities to improve their future prospects, and with the space for expression, civic participation, and initiative taking, thereby strengthening their civic mindedness and attachment to the nation’s fundamentals, as well as actively involving them to serve their country’s development, are all critical challenges for Morocco.

Inclusion also implies ensuring social protections that strengthen the resilience and inclusion of the most vulnerable and engenders solidarity among citizens. Finally, the quest for an inclusive Morocco also requires mobilizing cultural diversity as a lever for openness, dialogue, and social cohesion for the purpose of consolidating the foundation of a peaceful and harmonious life together.
Pillar 4: Toward Sustainable and Resilient Territories Where Development Sets Deep Roots

The NDM brings about a new vision on the role of territories as spaces for the codesign and implementation of public policies alongside the state. This vision enshrines the centrality of territories as sources of tangible and intangible wealth creation, the emergence of participatory democracy, and the rooting of resource sustainability and resilience to climate change effects.

In accordance with the constitution, the NDM advocates for a “Morocco of regions” to ensure the convergence and efficiency of public policies at the territorial level. This requires state territorial reform and enhancing the capacities of territorial stakeholders to meet their responsibilities.

Among the proposed actions, the NDM calls for accelerating the advanced regionalization with effective deconcentration and overcoming any reluctance restraining it. The NDM also suggests an innovative territorial reorganization to provide efficient access to public services closer to the citizens. This reorganization is based on the *douar* as the basic territorial unit and capitalizes on the *cercle* administrative level for coordinating and optimizing public services in an inter-municipal approach. Putting participation at the forefront of the NDM priorities, the report recommends the creation of regional economic, social, and environmental councils to promote territorial stakeholder contribution to public development policies.

The NDM also stresses the need for integrated territorial planning that is focused on improving the citizens’ living conditions (housing, connectivity, and mobility). The sustainability of territories also requires the conservation of natural resources, particularly water, and enhancing resilience to climate change. For this purpose, it is essential to strengthen the governance of natural resources by monitoring the stakeholders’ consistency of actions. Taking water scarcity as an example where the situation continues to worsen in Morocco, the NDM calls for fully accounting for water scarcity and optimizing water use for current and future generations.

The valorization of natural capital must also be understood in light of the opportunities that it presents for developing both domestic and international tourism. In addition, the full potential of the green economy and the blue economy should be mobilized to strengthen value creation in all territories. In the same perspective, the water–energy couple should get special attention by promoting the use of renewable energies, in particular for seawater desalination and wastewater treatment, which would allow supplying coastal areas with water for drinking and irrigation at better cost, and to reduce pressure on water availability.

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3 The *cercles* represent an intermediate territorial administrative level, placed between provinces and municipalities. The *douar* are small communities where the most part of rural population lives in Morocco.
Finally, the NDM’s aim is to consolidate efforts to develop a modern, socially and environmentally responsible agriculture that fully recognizes and integrates sustainability constraints. Very small farming units (agriculture solidaire) and family farming need greater support and development through more efficient support mechanisms for small-scale farming, to address the strong duality between commercial and solidarity farming, with a view to consolidating rural resilience. Water use in agriculture needs to be optimized, with a priority for national food security and fair use of water in the exportable offer. Finally, modernizing agriculture requires the mobilization of technology for sustainability, strengthening human skills in the sector, and investing in research and innovation in agriculture and agribusiness.

Alongside the four pillars identified by the NDM, five bets for the future are proposed as the foundation of a bold Morocco. The aim is to make Morocco one of the most dynamic and attractive economic and knowledge hubs at the continental level. These bets for the future include training research action at the service of the territories, low-cost and low-carbon energy (Box 2.4), digital platforms and broadband coverage, diversified mechanisms for financing the economy, and “made in Morocco” as a means of valuing production and as leverage for Morocco’s integration into global value chains.

**Box 2.4. The New Development Model’s Pledge for the Future—Morocco: A Champion of Competitive and Green Energy**

By working toward this goal for the future, the aim is to make Morocco’s energy supply a major determinant of its economic attractiveness, building on competitive energy mainly from renewable sources. Morocco’s accelerated transition to a low-carbon, competitive economy that is attractive to industry would make Morocco a benchmark in terms of low-carbon, responsible, and sustainable production methods. This would make it possible to broaden the accessibility of Morocco’s exports to promising markets and attract foreign investors looking for opportunities in green economy sectors. A major reform of the energy sector is necessary to take advantage of the technological revolutions underway in renewable energy and to develop a market that is open to domestic and foreign investment.

Source: Author, based on Morocco’s New Development Model, April 2021.

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**ACTIVATING DRIVERS OF CHANGE TO ACCELERATE THE NEW DEVELOPMENT MODEL’S IMPLEMENTATION**

Achieving the NDM’s ambition and structural transformations requires substantial technical, human, and financial capacities, particularly in the start-up phase. For this purpose, the report placed the emphasis on two main drivers of change to support successful implementation of the NDM: reforming the administration and relying on digital technology.
A Renovated, Efficient, and Honest Administrative Apparatus, Focused on the Quality of Services to Citizens and Businesses

In order to accelerate change, it is essential to update the administrative apparatus both in skills and in methods. The implementation of the NDM requires a renewed and modern administrative apparatus that is committed to the general interest. The administration should place greater emphasis on service quality for citizens and enterprises. This calls for a skilled and empowered administration that is oriented to performance and results. The administration should be accountable for its actions and able to take initiative and support change.

Improving the administration’s performance also requires simplifying and streamlining internal management procedures that enable the administration to focus on crosscutting missions and objectives. The administration should be expediting the simplification and full digitalization of administrative processes, and granting access to public data to allow users to assess the quality of services and to have recourse in case of dispute or abuse.

In addition, regular renewal of senior national and local civil servants and managers of strategic public enterprises and establishments is a challenge that should be addressed. It is essential to put in place mechanisms of attractiveness, to identify a pool of skills, and to encourage leadership skills development.

Digital Technology as a Driver for Structural Transformation

The NDM sets digital technology as a crucial driver for change and development. Indeed, digital technology is likely to restore trust between citizens and the state; reduce corruption; and promote economic, social, and territorial inclusion of large segments of the population. Simplified and clarified procedures and better-quality services will make the state–citizen and state–business relationships more fluid and transparent.

The NDM considers that Morocco can aim to be an “e-nation” by 2025. For this purpose, the country’s digital transformation requires swift upgrading of digital infrastructure, broadband connection throughout the country, extensive skills training, and completion of the legislative and interoperability framework to enable end-to-end digitization of public services and boost digital confidence.

In parallel with these important levers, the NDM stresses the importance of Moroccans of the world as full players in the implementation of the suggested transformative projects. Indeed, beyond the cash transfers they make to the country as remittances, and that represent a strategic financial windfall, the large-scale use of their skills would certainly constitute a powerful lever to strengthen the quality of Morocco’s human capital.

The NDM also reaffirms Morocco’s irreversible choice of openness to the world by highlighting the role of international partnerships to serve the country’s new ambition. The NDM is also in line with Morocco’s commitment to defending multilateral causes and providing responses to global challenges. Thus, this
contributes to Morocco’s outreach by leveraging its specificities and its constants, in particular with respect to its sovereignty and its territorial integrity.

Finally, the NDM’s implementation needs a strong action to mobilize all national players around a national development compact as well as to establish a monitoring and steering mechanism to follow up on the NDM’s transformative projects and the processes leading to change.

FINANCING THE DEVELOPMENT MODEL: 
THE NEED FOR ADDITIONAL RESOURCES TO FUEL A WEALTH-CREATING DYNAMIC

The COVID-19 crisis affected government resources and priority budget spending. This emphasizes how the NDM’s success hinges on a sound approach to financing. Preliminary estimates established by the SCDM on the funding required to implement the NDM are 4 percent of GDP annually in the start-up phase (2022–25) and 10 percent of GDP in the maintenance phase by 2030.

This is a rough estimate that is aimed essentially at identifying the magnitude of the costs of the NDM’s flagship projects and strategic bets for the future. Meeting these needs in terms of financial resources will require a specific financing strategy. The NDM suggests a financing strategy that hinges on four complementary areas (Figure 2.1).

The first area looks at possibilities for widening the state’s budgetary space by working actively in favor of the mobilization of the fiscal potential, estimated at between 2 percent and 3 percent of the GDP. This mobilization of the fiscal potential can be achieved by means of a greater formalization of economic activities and an optimization of tax incentives by removing unproductive ones or those that contribute to favoring rent positions. This would also involve building the capacity of the tax administration to fight tax fraud and tax evasion.

The widening of the state’s budgetary margins requires, in the short term, carrying out a general review of public expenditures aimed at optimizing the state’s way of life, eliminating sources of waste, and strengthening the targeting of this spending to maximize the economic and social impacts. Budgetary savings that can be potentially mobilized could be allocated to the NDM’s priority projects.

The second area focuses on stimulating private investment, both national and international, through a transparent and attractive business climate, guaranteeing free competition and promoting the entry of new innovative and competitive players. The national policy of economic transformation advocated by the NDM is fully in line with this perspective as long as it relates to new sectoral ambitions and innovative action levers for their implementation.

The impetus for private investment would also depend on the mobilization of state-owned enterprises and institutions, given their role as an engine of private initiative, a catalyst for the structural competitiveness of the national economy, and a lever for revitalizing territorial ecosystems. The reform at work of the state-owned enterprises and institutions, in the wake of the restructuring of the public
portfolio and the optimization of the state’s shareholder policy, would make it possible to create space for the benefit of national and foreign private investment. The launch of reforms in certain key sectors (for example, energy, water, digital, logistics) would be a necessary prerequisite for achieving this.

In addition, the new dynamic to be instilled in private investment could be based on the role of the Mohammed VI Investment Fund in financing productive diversification and the economy’s upscaling. This Fund’s operations can be conducted through equity investments in the capital of private companies with high growth potential. This would exert a leverage effect allowing companies to obtain additional financing from market players while promoting better development of the sectoral potential of Morocco’s economy in promising sectors.

The third area relates to the multiplication of actors and the diversification of financing instruments to meet the needs of private firms, particularly very small and medium businesses. The entry of new players in both traditional financial activities and more innovative activities, in connection with fintech and other

Figure 2.1. The NDM’s Financing Strategy: Generating an Inclusive and Virtuous Dynamic Guaranteeing Sustainability

Source: Author.
Note: NDM = new development model.
financing solutions, would be appropriate to create competition in the banking market, favoring both quality of services and cost reduction.

Broadening the financing spectrum to benefit private actors and operators calls for boosting the capital markets development and setting its regulation to the highest international standards. One of the key recommendations to achieve this objective is revitalizing Casablanca’s stock exchange. In fact, the global Moroccan market capitalization stood at 54 percent of the GDP in 2019, which can be further extended. Compared with other developing countries and considering Morocco’s untapped potential, the NDM aims to increase the total market capitalization to 70 percent of GDP in 2035 (vs. 54 percent of GDP as of 2022) and to increase the number of listed companies from 76 in 2019 to 300 in 2035.

In this regard, some priority actions should be deployed, including the acceleration of the legislative process to change the legal and regulatory framework of the capital markets, the broadening of the base of issuers and investors by initial public offerings of public companies, and the creation of a market dedicated to raw materials. In addition, developing the private-debt market and introducing new financial instruments and products would be likely to increase the market’s liquidity and strengthen its attractiveness to international investors in search of profitable investments.

The fourth area consists of leveraging opportunities for mobilizing international financial partnerships at bilateral, regional, and multilateral levels, which cover several areas matching the NDM’s priorities (for example, energy sustainability, human capital, development of financial markets).

Alongside these potential sources of funding, the NDM will also be able to contribute to its self-financing due to the additional growth it can generate. This contribution appears particularly through (1) the additional tax revenue due to the transition to a new level of growth that allows the favorable recovery of economic activity and (2) the increased attractiveness of direct foreign capital and portfolios, enabling Morocco to meet the financing needs of the national economy.

The transformation projects that underlie the ambition of the NDM are likely to accelerate the development trajectory of the country and raise it to the ranks of prosperous nations. In addition to the required agility to carry out these projects, there is also the need to promote a macroeconomic framework that is closely aligned with development objectives at the economic, social, territorial, and environmental levels. To meet this requirement, Morocco must meet three major conditions:

1. Macroeconomic management combining agility and flexibility in the short-to-medium term and exploiting all possible room for action while remaining vigilant about the macroeconomic framework’s sustainability in the long term
2. Macroeconomic policies (monetary, fiscal, exchange rate policy) at the service of a strong, healthy growth with diversified sources, with a view to making them drivers for the creation of added value and jobs
3. Macroeconomic balances that must be reinforced by the internal performance of the NDM. This is a prerequisite to reinforce the national economy’s resilience capacity in the face of exogenous shocks. The reinforced competitiveness of the productive system and the expected strong attractiveness of foreign investments will allow the economy to meet its financing needs.
CONCLUSION

The NDM is designed by Moroccans, with Moroccans, and for Moroccans. It results from extensive interaction with many segments of the population about their realities and aspirations. This model embodies a new way of looking at development, one that is more participative and involves all stakeholders. It is a proposal of an ambitious development path and a call on all to rally and work jointly to build the desired Morocco.

Considering the country’s multiple assets, and its citizens’ capacities, Morocco is fully capable of embarking on a new development stage under the leadership of King Mohammed VI. Achieving the NDM’s ambition requires a renewed collective organization enabling all Moroccan women and men; public, private, and civil society; at central and local levels; and in all their diversity and richness, to work toward the same goals.

The NDM’s success also hinges on fostering international partnerships. The transformative projects underlying the NDM offer investment opportunities as well as partnership prospects in promising fields (for example, education, health, energy, logistics). Mobilizing international partnerships is also the key to promoting technology transfer and providing technical support for development projects in the spirit of co-development.

Strengthening cooperation with international partners, including international financing partners and development agencies, can only be encouraged, especially by targeting the priorities and areas identified by the NDM.