Developing Morocco's Economy

At the invitation of the Moroccan Government, a World Bank mission has surveyed the national economy and made suggestions for its future.

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DURING THE COURSE of Morocco's Five-Year Plan for 1960-64, the Moroccan authorities realized that it was not achieving its basic objectives; the economy was not growing as they had hoped and expected it would. In these circumstances, the Government decided to seek advice on creating a new pattern of economic priorities which would lead to sustained development, and invited the World Bank to organize a general survey mission that would make independent recommendations to this end.

When the 11-man mission, representing seven different nationalities, arrived in Morocco in the early spring of 1964 for a three-month stay, the country was in the throes of a severe economic and financial crisis. Continued budget deficits threatened financial stability, and successive balance of payments deficits had been draining foreign exchange reserves. During 1965, thanks to the vigorous efforts of the Government and the sacrifices of the Moroccan people, there was a progressive reversal in these dangerous trends. But the financial successes of that year should not obscure the underlying long-term problem of economic growth. In the first half of the 1960's, national output had grown at an annual average of only 1.6 per cent, while population increased each year by more than 3 per cent. Output per capita had thus declined sharply. How to speed the growth of national output so that it could catch up with, and surpass, the growth of population remained the great underlying problem of the Moroccan economy.

The Moroccan financial crisis of 1964-65 had been the culmination of a series of budget deficits in previous years when revenues fell behind combined expenditures on public investment for development and on recurrent expenditures. The recurrent expenditures were rising, some of them unavoidably—either because they were required to operate existing development projects or because of the ineluctable social needs of the growing population. The Draconian measures which halted this trend in 1965, however much they were needed at the time, might put a stop to development if they were prolonged. Since public investment in Morocco is more than half of the country's investment, and therefore vital to growth, the objective for the years immediately ahead, as stated by the mission, should be to contain public expenditures within the bounds of fiscal possibilities—and the likelihood of external assistance—and yet bring about a

FACTS ON MOROCCO

Area:
172,000 square miles (estimated: boundaries not fixed)

Dimensions:
East-West, 760 miles
North-South, 437 miles
Coastline, Atlantic 750 miles
Coastline, Mediterranean 230 miles

Population:
13,033,000 (1965, estimated)
Growth rate: 3.2 per cent (1965-67, estimated)

Political System:
Constitutional monarchy (present ruler, H.M. King Hassan II)

Religion:
Moslem

Official Languages:
Arabic (French, subsidiary but in common use)

suitable rate of growth of output. Both in the public and private sectors, future new investments must produce greater returns more quickly than in the past.

A Public Investment Program

The selection of such investments and the phasing of them in an order of priority is accordingly one of the most important features of the report. The mission selected a period of six years, 1965 to 1970, for this development program. During the time that the report was in preparation, the Moroccan Government adopted their own Three-Year Plan for 1965-67, and the mission's program thus covers that period and the subsequent three years. The mission believes that its program would be useful in the preparation of a government plan for the latter period, but also hopes particularly that it will be helpful in the annual review in 1966 and 1967 of the current Three-Year Plan. In its chapter on the administrative adjustments necessary to make economic programing more effective, the mission stresses the necessity for flexibility and for the periodic review that makes flexibility possible.

Over its chosen six-year period, 1965-70, the mission recommends a total public investment program amounting to more than DH 7,000 million, or $1,400 million (DH 5.06 =US$1). There would be only a modest growth in public investment in the first few years, but if the resultant increase in total output were as great as the mission expects, public investment would rise sharply toward the end of the decade.

Perhaps more important than the suggested size of the investment program are the recommended changes in the pattern of public expenditures. The shift in emphasis comes across clearly if the proposals for the future are compared with the actuality of the recent past (see the accompanying tabulation). In the six-year period ahead, 53 per cent of all public investment expenditures would be devoted to the commodity-producing sectors and to tourism. The figure in the recent past was 44 per cent.

EXPENDITURE ON VARIOUS KINDS OF DEVELOPMENT
(In per cent)

	Recently Spent	Proposed in Report
Agriculture	44	26
Other commodities and tourism		27
Social services	19	4
Power	2	11
Transport, etc.	19	12

The largest reduction in proportionate share would fall on the social services, on which expenditure is to be cut drastically, from 19 per cent to 4 per cent of the total. However, the *absolute* amounts spent on the social services will rise with expanding total expenditures so that by the end of the 1960's they would considerably exceed those during the first years of the decade.

The small increase in the share of expenditures for infrastructure is due entirely to the large program for power. In 1959-63 this sector took only some 2 per cent of all public investment expenditures, but, because demand has now caught up with capacity, the mission feels it necessary to recommend a program of expansion requiring 11 per cent. By contrast, the share of investment expenditures for transport and communications—the other major infrastructure sectors—would decrease from 19 per cent during 1959-60 to 12 per cent during the six-year program period.

The mission places no limit on any expenditure which promises early and high returns in agriculture, tourism, industry, or mining; the only limit in these fields should be the administrative capacity to carry out the programs and projects. If it is found later in the six-year period that a greater expansion of directly productive projects is possible, the mission would endorse adjustments to reach the higher target. The suggested program accordingly includes a large contingency fund so that the necessary finance will be available.

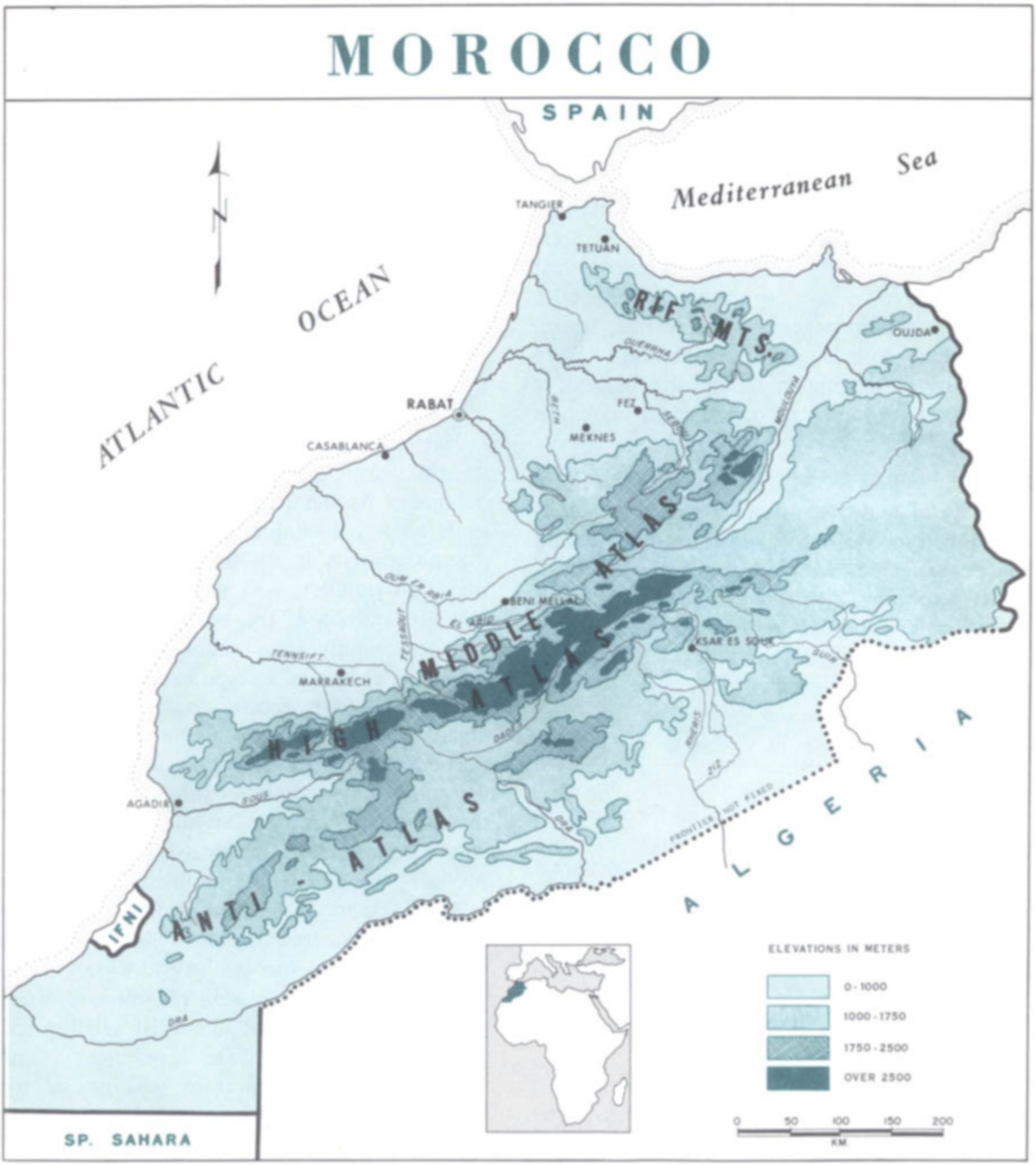
Agriculture

Agriculture, the mission believes, is vital to Morocco's future—so much so that 26 per cent of all public investment expenditures should go into it. This represents about half of all investments recommended for those sectors of the economy directly involved in production. For some time to come, the land must continue to provide employment for most of the Moroccan people. It must feed the growing population while replacing food imports. It must provide an increasing variety of raw products for industrial processing inside the country, while exports of commercial crops are being expanded.

The agricultural projects selected must be those which will have a relatively quick impact on output. In irrigation, for example, investment must be concentrated on bringing into full exploitation those lands where water is already available. In various parts of the country, large amounts of capital have been invested in dams and a system of canals, although as yet the land on which the water is to be used remains unirrigated for the lack of minor channels, land preparation, and the necessary on-farm equipment. The program provides for the additional investment required. The mission also recommends cropping patterns and technical practices which should accelerate and expand production.

In addition, the mission has proposals which it believes would quickly yield results in the most productive rain-fed areas. Credit, technical advice, and training can help the farmer to diversify crops and improve yields. Emphasis must also be given, the report continues, to zones where conservation and protective measures are necessary to prevent floods and erosion.

The Government is planning to take over the lands of a number of foreign settlers. Such lands must be effectively managed and culti-


MOROCCO
SPAIN
Mediterranean Sea
ATLANTIC OCEAN
TANGIER
TETUAN
RIF MTS.
OUJDA
RABAT
CASABLANCA
FEZ
MEKNES
MIDDLE ATLAS
HIGH ATLAS
ANTI - ATLAS
BENI MELLAL
KSAR ES SOUK
MARRAKECH
AGADIR
IFNI
ALGERIA
FRONTIER NOT FIXED
SP. SAHARA
ELEVATIONS IN METERS
0 - 1000
1000 - 1750
1750 - 2500
OVER 2500
0 50 100 150 200
KM

vated to maintain and possibly increase output. The mission recommends that in the years immediately ahead these farms should remain under managers who are technically qualified while intensive on-the-farm training and education prepare the workers for future management on their own.

All these activities in agriculture require large numbers of trained technicians. At present there are not enough of these, and a great effort needs to be made to train specialists both in theory and in practice. Meanwhile, it will be necessary to bring men from abroad to carry out many of the higher technical jobs and, if possible, to retain some of the farm managers of the presently foreign-held lands.

While government activities in agriculture are crucial for expansion, the mission urges that the role of the individual farmers should not be neglected. Much depends on their initiative, and the Government should see to it that this is given full rein. As well as basic services and technical assistance, the farmers need credit, for which the Government should provide additional capital so that the individual farmer may improve his farm as he himself thinks best.

The Tourist Trade

The mission reports that there are great possibilities for the development of the international tourist trade in Morocco. The market is growing throughout the Mediterranean area, and the mission believes that Morocco can readily benefit from this trend if it makes the right moves.

As a tourist country, Morocco has splendid assets. It is situated on the threshold of Europe; it is nearer to some northern European countries, for example, than Sicily is. The climate is pleasantly mild in the winter and sunny and warm, but not too hot, in the summer. It offers attractive beaches along its Mediterranean and Atlantic coasts, rolling countryside in the central area, spectacular mountain chains, and the special charms of the desert regions. The traditional way of life, the ancient Moorish cities, and the rural market places are powerful attractions. The remains of other cultures—the Roman ruins of Volubilis or the old Portuguese ports on the Atlantic—also add to the tourist interest. The country need not yield even to its rivals around the Mediterranean basin in the diverse attractions that it can provide.

Earnings from tourism are expected to contribute significantly to an improvement of the balance of payments position. The mission suggests as a reasonable target the arrival of a million tourists in 1970, or about four times the 1964 number, which could bring in about DH 800 million ($160 million) in foreign exchange annually, thus making tourism the largest single earner of foreign exchange. Because it can yield early returns tourism ought to be given a very high priority; the mission would particularly like to see the expansion of capacity at existing tourist locations, thus avoiding the additional investment in overheads which would be necessary in new areas. Much of the drive for tourists should be financed by private investors, and special measures to interest Moroccan investors are suggested. Collaboration with private foreign investors should also be supported. The mission recommends direct government investment in tourist accommodations only where private investment is not forthcoming. An important government role should be to provide long-term credit on reasonable terms to supplement private capital.

One advantage of foreign capital is that it is likely to bring with it much of the necessary high-level management and service staff. This is desirable to meet international standards, and the mission urges that even tourist enterprises that are wholly Moroccan owned bring in key personnel from abroad as an interim measure until the augmented training programs begin producing Moroccan staff in adequate numbers.

Mining and Industry

In mining and industry the mission sees the expansion of phosphate mining, and the increase of local capacity to transform this into fertilizer, as Morocco's greatest opportunity. Phosphate rock already forms one fourth of all Morocco's exports, and opportunities for further sales appear very good. A major chemical plant at Safi started to produce fertilizer in 1965, and the investment needed to complete this project has high priority; meanwhile, it is important to ensure its efficient operation.

Further feasibility studies may indicate opportunities for additional public investment in other industrial plants giving early returns, but industrialization, the mission feels, should be mainly the concern of private investors—although the mission accepts that some participation in mixed companies by the public authority might often be desirable, particularly for pioneer industries. The report offers suggestions for improving the business climate and providing incentives to local entrepreneurs and foreign investors alike.

Infrastructure

Morocco's infrastructure is largely adequate for immediate future needs. Accordingly, the mission recommends additional investment on new roads, for example, only for the removal of barriers to further expansion of agriculture and tourism. Casablanca's port must be expanded since otherwise it will become a bottleneck. Again, the main objective of money spent on the railways—apart from replacing worn-out equipment—should be to help the movement of phosphates. An expansion of air facilities should provide service for the increasing number of travelers, particularly tourists.

In the early 1950's Morroco invested heavily in electric power, so that capacity exceeded demand and power investment was at a standstill for some years. Subsequent economic growth, together with projected increases in demand, indicate that this excess will soon disappear and that expanded generating capacity and additional transmission lines will be required if power shortages are to be avoided. A balance between hydro and thermal generation must be achieved, and the report also suggests exploring the possibility of obtaining cheap power from neighboring Algeria.

Education and Training

Morocco's Three-Year Plan accords top priority to the supply of skilled manpower. The mission is in full agreement. To ensure the early supply of the skilled manpower essential for economic development, the recommended education program would concentrate on secondary education and technical training as contrasted with the past emphasis on elementary education. Investments made now, in the middle rungs of the educational ladder, will also permit the subsequent expansion in primary education which a growing population will demand.

Traditional Moroccan village scene is among the tourist attractions suggested by the Bank report as potential source of foreign exchange.

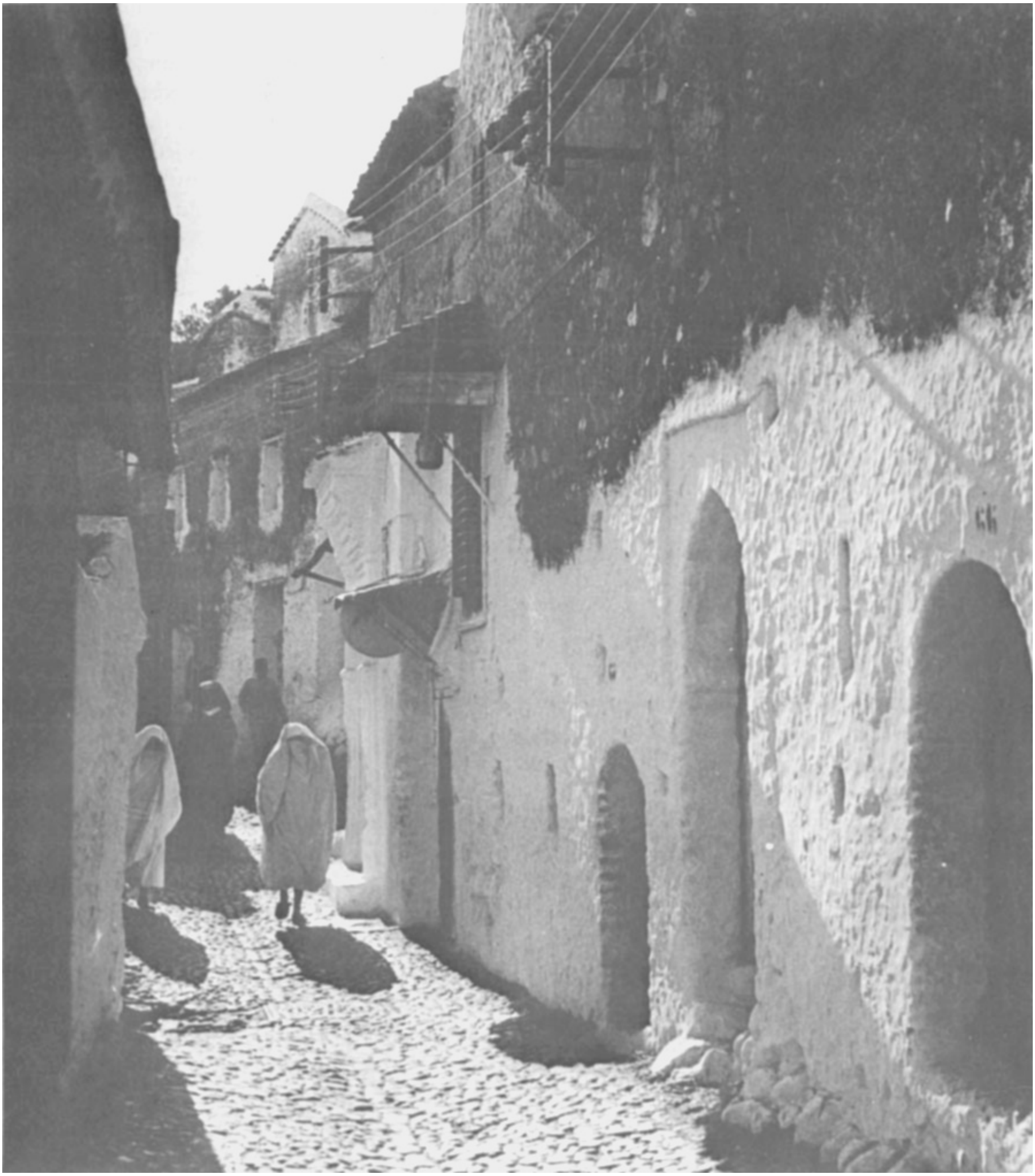


PHOTO: MOROCCAN TOURISM OFFICE

Health and Housing

Investment in health, the report says, must be phased in accordance with the possibilities of obtaining doctors and other supervisory staff. At present, there is an excess of auxiliary personnel which, while doing the best it can, is lacking in suitable direction. The mission recommends extending the period of obligatory service for Moroccan doctors trained at public expense.

Housing needs in Morocco are so enormous that the public authority can deal with only a small proportion of them each year. The mission suggests that the Government, in selecting its priorities, should concentrate on protecting the health of the people most vulnerable and unable to protect themselves—the very poor. The report therefore recommends that the public program should be restricted in the main to preparing building plots (supplied with pure water, adequate sanitation, and other public services) and should leave the actual construction of dwellings to private builders, supported by public credit programs, technical assistance, and control of standards.

The Population Problem

Whatever measures, direct and indirect, are taken to increase national output, the soaring population will make ever-increasing demands on such output. Morocco will continually find itself having to run faster in order to stand still. At present, the population is estimated to be growing at the rate of 3.2 per cent a year. This means that national production has to grow at that rate simply to maintain the present output per capita. But, because the proportion of the work force to total population is dropping, productivity will have to rise to maintain consumption if total population grows faster than does the work force. This is a formidable task. Furthermore, a rise in productivity implies an increase in the rate of investment. But the very rise in population—particularly of the young—entails a growth in current expenditures, thus leaving little, if anything, for investment.

It is going to be very difficult to break this vicious circle. But the report says that the effort must be made. The mission, therefore, recommends a campaign for family limitation, even while it recognizes that the possibilities of population control in a country like Morocco are still uncertain. "We fully appreciate," the report says, "the technical, cultural, religious and political problems involved." And it continues, "We must nevertheless point out that, with the population increase now in prospect, it will be very difficult to maintain present economic standards, let alone achieve the sort of growth needed to provide self-sustaining take-off. The Moroccan Government and people must recognize the economic cost of inaction with respect to population control and make their choice accordingly." The report contains no message more vital to Morocco's future than this.

The Dialogue of Development

The report of the general survey mission is an independent one. Whereas the Bank organized the mission and believes its recommendations worthy of serious consideration, its views are its own responsibility.

No single document can provide a magic formula for the development of any country. The process of economic growth requires a steady effort based on a continuing intellectual process. The mission—and the Bank—hopes that its report will contribute to that process.