

## Harmonizing Public Financial Governance in Morocco: Crafting Innovative Revenue Strategies for Sustainable Prosperity

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**ABSTRACT:** This study aims to pinpoint municipalities requiring assistance in bolstering their own-source revenues and financial governance. The analysis underscores the crucial role of diversifying revenue sources, transparent and efficient management, and the implementation of revenue generation strategies in supporting municipal financial performance. Identification of municipalities with high own-source revenue ratios reveals successful practices and effective strategies, offering inspiring examples for those aiming to enhance financial governance. Additionally, classifying municipalities based on revenue and expenditure tiers exposes significant differences, enabling the identification of opportunities for improvement in expenditure management and revenue generation. This study provides valuable insights for local policymakers to elevate the financial performance of municipalities.

**KEYWORDS:** municipalities, own-source revenues, financial governance, revenue generation strategies, expenditure management, financial performance

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### Introduction

The Kingdom of Morocco is a constitutional, democratic, and parliamentary monarchy. The new constitution was enacted on 29 July 2011 following what is now known as the Arab Spring. Article 1(3) of the Constitution states that "The regions of the kingdom are administered in a decentralized manner. This system is based on advanced regionalization." Prior to the Arab Spring, an ad hoc consultative commission was established to broaden regionalization and produced the "Report on Advanced Regionalization" which guided the new overarching reforms set out in the constitution.

The king is head of state and plays a key role in Moroccan politics, although the role was reduced by the new 2011 Constitution. The King chairs the Council of Ministers, the Higher Council of the Judicial Branch, and the Higher Council of

Ulema. The 2011 Constitution strengthened the role of the prime minister, who is the head of government. Executive power is still shared between the government and the king. The king appoints the prime minister from the party that performs best in elections to the House of Representatives.

The Morocco Parliament includes two chambers: the House of Representatives (members elected by direct universal suffrage for a 5-year mandate) and the House of Councilors (members elected by indirect universal suffrage for a 6 year mandate). The two chambers have equal legislative power. The order in which texts are considered is the only area where the House of Representatives has more of a say.

Morocco has four sub-national divisions of local and regional authorities:

- 12 régions;
- 12 prefectures and 63 provinces;
- 1503 Communities or municipalities.

Besides the 2011 Constitution, various acts give set out the territorial organisation and division of powers. These three organic laws were adopted in June 2015:

- Loi organique n° 111-14 relative aux régions- organic law N° 111-14 regarding regions ;
- Loi organique n° 112-14 relative aux préfectures et provinces - organic law N° 112-14 concerning prefectures and provinces ;
- Loi organique n° 113-14 relative aux communes - organic law N° 113-14 on the communities or municipalities.

These three organic laws distinguish between three categories of awards: own responsibilities, shared responsibilities and powers transferred, which will be exercised based on the principles of subsidiarity and substitution. As well as the various levels of decentralisation mentioned above, Morocco also has several levels of deconcentration of central government: the 17 wilayas, which correspond to the different regions, with the exception of the Tangier-Tétouan region, which comprises two wilayas (Tangier-Tétouan region and Tétouan); the 75 prefectures and provinces; the pachaliks (urban administrative areas) and the caïdats (rural administrative areas). The governor of the prefecture or province – i.e., the representative of central government at prefecture and province level – implements the decisions of the prefectural/provincial councils. The 2011 Constitution, meanwhile, stipulates that this role will be fulfilled by the presidents of these councils, not by the governors. Thus the 2011 Constitution reduces the role of central government (the wali or governor) in the regions as well as in the prefectures and provinces.

The aim of this article is to explore the interplay between financial governance and the performance of local authorities, serving as the cornerstone of our research. Subsequently, we will endeavor to address the following question: **What is the influence of financial governance on the performance of local authorities?**

This issue subsequently leads to other secondary and more detailed questions:

- What challenges do local authorities face in implementing good governance principles?
- What is the performance of municipalities in terms of financial governance?

The adopted methodology is grounded in an iterative approach that combines theoretical elements, including documentation and data gathering, with practical aspects, such as case studies and interviews involving diverse stakeholders and collaborators, including division chiefs and service managers.

The foundational documentation will be comprised of official texts, specifically the three accounting decrees, the budget preparation circular, gender dysphoria, and GIR reporting. Data collected through interviews, meticulously recorded and transcribed, will be systematically cross-referenced with documentary syntheses to yield a comprehensive overview. The dissertation will conclude with a comprehensive summary, delineating the outcomes of our research, along with in-depth theoretical and practical reflections.

## Research Objective

The fundamental objective of the analysis concerning Financial Governance (GF) and the performance of Local Authorities (CTs) is to comprehend how CTs manage their financial resources and how this management impacts their performance. Specific objectives may encompass:

- Identifying municipalities requiring support for enhancing their Financial Resource Management;
- Assessing financial governance: Analyzing the financial governance of municipalities allows for deciphering how they manage their finances and whether they do so transparently and responsibly;
- Identifying the challenges that municipalities face in managing their financial resources and improving their performance;
- Analyzing disparities among municipalities;
- Proposing recommendations: By pinpointing shortcomings in GF and performance, the analysis can assist in suggesting solutions, including modifications to budgetary procedures and the implementation of capacity-building programs for local officials.

## Data Compilation for Revenues and Expenditures

### *1. Data Compilation:*

Our methodology is grounded in the compilation of budgetary data, involving:

- Gathering data concerning the revenues of Local Authorities (CTs), extracted from the GIR platform.

- Collecting data regarding expenditures, extracted from the GID-reporting platform.

## 2. Sampling Variables:

Before elucidating the chosen sampling methods and determining the sample, it is paramount to underscore two fundamental concepts: population and sample.

- A population is defined as a finite set of objects (individuals or statistical units), all sharing one or more common characteristics.
- The sample constitutes a subset of the population, selected scientifically to accurately represent the population.

In our study, we employed the 20/80 method, or Pareto's principle, for the selection of own revenues. Conversely, the selection of mandatory operational expenses adheres to the provisions of the organic law governing municipalities.

## 3. Own Revenues:

The method employed to select the own revenues involves identifying those that constitute 80% of the total. To achieve this, several steps were undertaken:

- Sorting own revenues in descending order;
- Calculating cumulative revenues (CCR): The CCR for a municipality is the sum of its revenues along with the previous CCR.
- Calculating the cumulative percentage. This involves the cumulative frequency of each tax divided by the total number of own revenues across the entire population.

Own revenue	Calculation of Cumulative Increasing Revenues	Cumulative percent
Own revenue 1	Own revenue 1	Own revenue 1/Total Own Revenue
Own revenue 2	Own revenue 2 + Own revenue 3	(Own revenue 1+ Own revenue 2)/Total Own Revenue
...	...	...
Own revenue 1503	Total Own revenue	Total Own revenue/ Total own revenue

We have been able to identify eight types of own revenues that represent more than 80% of the total. These include:

- Temporary occupation fee of the municipal public domain by movable and immovable property related to the exercise of trade, industry, or profession;
- Temporary occupation fee of the municipal public domain for commercial, industrial, or professional use;
- Property tax ;
- Professional tax ;
- Tax on land development operations;
- Municipal service tax ;
- Tax on unbuilt urban land;
- Fees on the revenues of agents in the wholesale fruit and vegetable market.

### Compulsory Expenditures:

Municipal expenditures are diverse and are delineated by the competencies vested in them by decentralization laws.

The operational segment comprises all outlays essential for the municipality's day-to-day functionality, representing recurring annual expenses. These encompass the following categories: personnel costs, maintenance and procurement expenses, various operational costs aligned with the municipality's competencies, and debt service charges. Among these expenditures, only those stipulated in Article 181 of Organic Law No. 113-14 pertaining to municipalities are deemed obligatory. These notably encompass:

- Personnel expenditures ;
- Public lighting levies, potable water provision;
- Municipal waste management ;
- Other levies ;
- Road maintenance ;
- Additional upkeep ;
- Public transportation administration.

### 4. Ratio Selection:

In our financial analysis methodology for municipalities, we adopt an approach centered on the statistical treatment of specific ratios related to their budgets. For our study, we have chosen to highlight three fundamental ratios that form part of the obligatory metrics in this analysis:

- Own Revenues per Capita ;
- Mandatory Expenditures per Capita ;
- Own Revenues / Mandatory Expenditures.

It should be noted that data input, recording, and processing operations are conducted using Microsoft EXCEL.

### **Assessment of Subsidy Budgeting Policy for Municipalities**

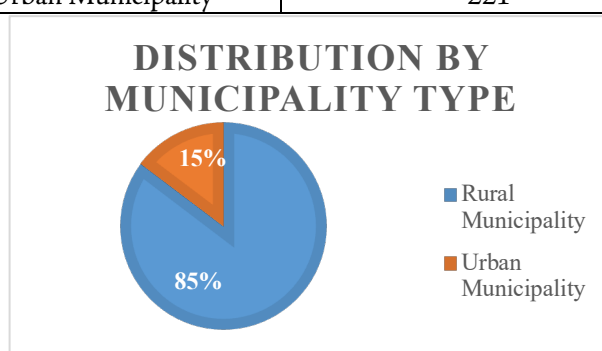
Evaluating the financial situation of municipalities through the analysis of per capita ratios of own revenues and mandatory expenditures enables informed decision-making to ensure the long-term viability of these municipalities while guaranteeing the provision of efficient public services to their residents. With the help of this tool, it becomes possible to gain a better understanding of municipal financial management, optimizing available resources and addressing the population's needs in a sustainable manner.

### *Distribution of Municipalities:*

Municipalities are distributed based on their urban or rural nature: Urban municipalities are primarily located in densely populated areas characterized by

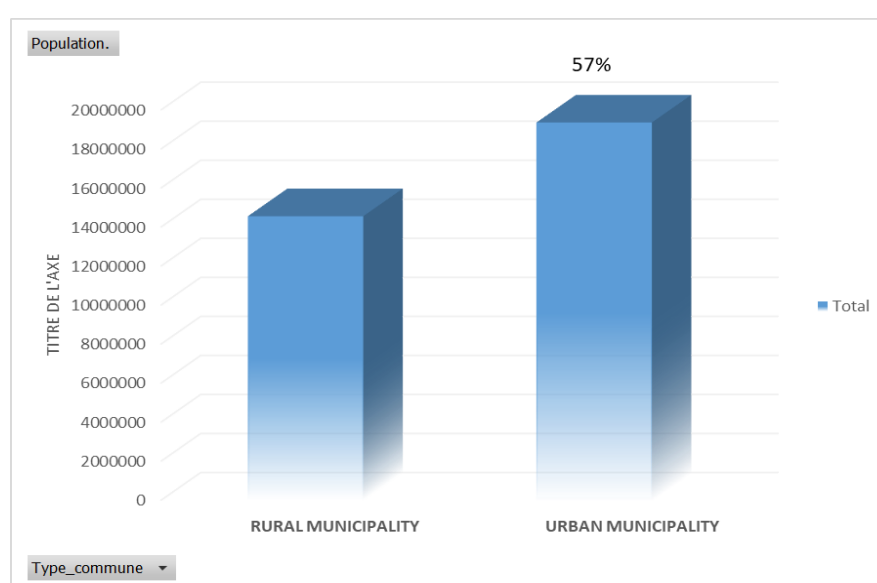
urban development, modern infrastructure, and advanced municipal services. These include major cities, urban centers, and peri-urban areas. Rural municipalities are found in sparsely populated areas, focused on agriculture, livestock, and craftsmanship. They comprise villages, small settlements, and remote areas distant from urban centers. These rural municipalities are spread across the country, especially in rural and agricultural regions.

Type of municipality	Quantity of Municipality Types
Rural Municipality	1282
Urban Municipality	221



According to the presented graph, rural municipalities significantly dominate in terms of quantity, accounting for over 85% of the total municipalities, totaling 1,282 rural municipalities out of 1,503. In contrast, urban municipalities constitute only 15% of the total, with only 221 urban municipalities out of 1,503. However, this should not diminish the role of urban municipalities, which act as major economic, administrative, and cultural centers throughout the country.

*Population:*



The distribution of this population by residential area highlights the predominance of the urban population, reaching 57%, despite the considerable

number of rural municipalities. This equates to 19,347,462 residents in urban areas compared to 14,546,553 inhabitants in rural areas.

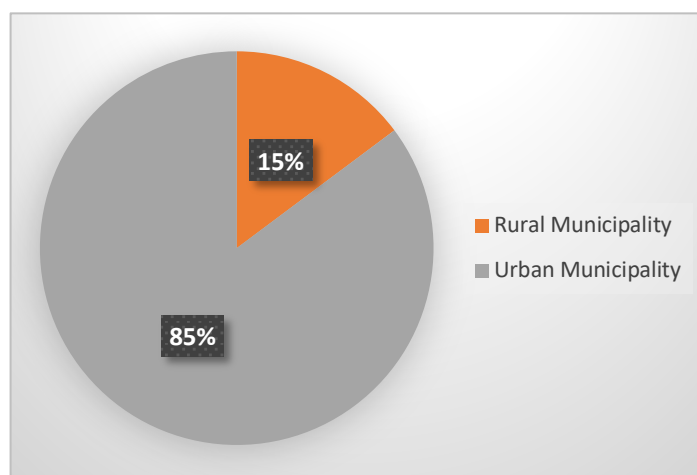
Two key factors characterize the high urbanization rate in Morocco:

**Rural Exodus:** The rural population's exodus and the development of a society focused on industry and services have made urban centers a major source of wage employment. In Morocco, the rural population's exodus is a direct consequence of drought affecting most rural areas, which has become a structural phenomenon due to successive years of drought, despite considerable efforts by the state to stabilize the population.

**Very High Birth Rate in Urban Areas:** The extremely high birth rate in urban areas (an average of 7.8 children per family).

In stages, the rural population ranges from 0 to 80K inhabitants, whereas the urban population can reach up to 3,400K inhabitants. This may be attributed to the expansion of major urban areas with the extension of their perimeters and the proliferation of their suburbs, as well as the emergence of new medium-sized cities, making urban municipalities places capable of accommodating a larger population.

Categorized Recipe by the Number of Municipalities per Type:



Total Own Revenues	2021	2022	Total
Rural Municipality	2 113 705 755,85	2 687 821 944,91	4 801 527 700,76
Urban Municipality	12 178 254 357,73	12 511 699 394,20	24 689 953 751,93
Total	14 291 960 113,58	15 199 521 339,11	29 491 481 452,69

Urban municipalities account for most total own-source revenues, comprising 84%, which equates to approximately 12.345 billion MAD. In contrast, rural revenues constitute a mere 16% of the aggregate, averaging around 2.401 billion MAD. Several pivotal factors underpin this conspicuous disparity between the two categories of municipalities:

**Economic Prosperity:** Urban locales typically boast a higher degree of economic development. This translates into augmented local revenue streams such as commercial taxes, corporate income taxes, and registration levies.

**Population Density:** Urban areas exhibit greater population density, resulting in a larger resident base contributing to municipal finances, notably through property taxes. Urban municipalities, therefore, enjoy an expanded taxpayer foundation, thereby enhancing their fiscal income.

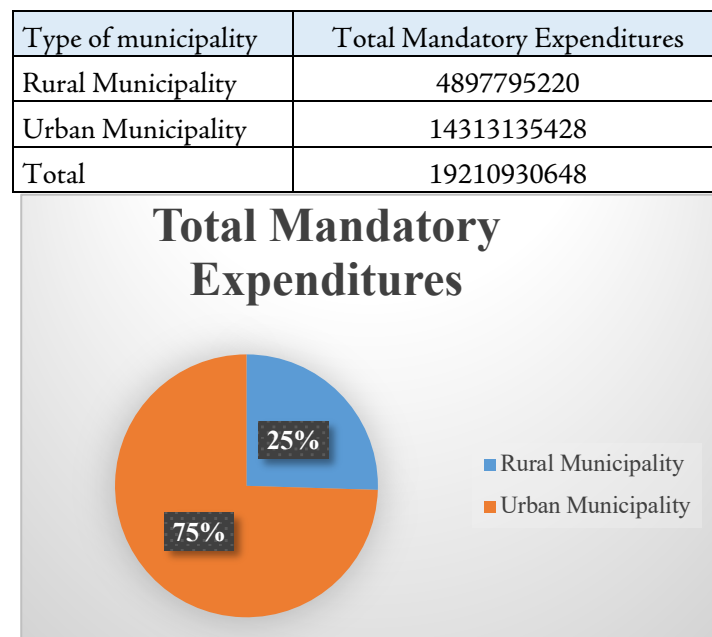
**Infrastructure and Services:** Urban areas are also characterized by more extensive infrastructure and service provisions. Urban municipalities must invest in critical domains such as water supply, sanitation, electricity, and transportation. These investments necessitate significant funding, frequently sourced from urban municipalities' own revenue streams.

**Tourism:** Urban localities draw a substantial influx of tourists, further bolstering revenue accrual. Cities like Casablanca, Marrakech, and Tangier are renowned tourist destinations, benefiting from revenue generated by accommodations, dining establishments, tourist attractions, and visitor taxes.

In sum, the amalgamation of economic vitality, population concentration, infrastructure development, and tourism in urban areas confers a substantial edge in own-source revenues compared to their rural counterparts.

#### Expenditures by Municipality Type:

The table depicts the aggregate Own-Source Revenues (OSRs) of rural and urban municipalities, offering insight into the expenditures for each category.



Urban municipalities exhibit a noteworthy distinction in terms of OSRs, comprising 75% of the total, amounting to \$4,897,795,220. In contrast, rural municipalities, constituting 25% of the sample, have recorded a cumulative total of 14,313,135,428.

Note: The results gleaned from the graph underscore that our study will be specifically centered on urban municipalities.



## Analysis of Own-Source Revenue Ratios for 2021-2022

By analyzing per capita net revenue ratios, we can identify the major sources of fiscal income for each municipality. This allows us to gain a better understanding of the distribution of fiscal resources among different taxes and to highlight the economic impact of each tax category on the residents.

We have numbered each ratio for ease of reference.

Self-generated Revenues	
Temporary Occupation Fee for the Municipal Public Domain by Movable and Immovable Property related to the Exercise of Trade, Industry, or a Profession.	Ratio 1
Temporary Occupation Fee for the Municipal Public Domain for Commercial, Industrial, or Professional Use	Ratio 2
Property Tax	Ratio 3
Professional Tax	Ratio 4
Tax on Subdivision Operations	Ratio 5
Municipal Services Tax	Ratio 6
Tax on Unimproved Urban Land	Ratio 7
Fees on the Revenues of Wholesale Market Agents for Fruits and Vegetables	Ratio 8
Total Self-generated Revenues	Ratio 9

To thoroughly grasp the various intricacies and challenges of our issue, it appeared necessary to conduct a quantitative study that will serve as a framework for examining our problem, which is the impact of financial governance on the performance of municipalities within the CTs. This approach will enable us to gather insights and perspectives from key stakeholders in this field. To accomplish this, we have opted to conduct telephone interviews with these stakeholders to aid us in analyzing the obtained results.

**Several illustrative examples are provided as follows.**

Ratio 1: Temporary occupancy fees within the municipal public domain for movable and immovable assets associated with the operation of commerce, industry, or professional activities:

- The municipality of My Yacoub exhibits the highest ratio relative to other municipalities for the years 2021 and 2022.
- This situation can be attributed to a combination of factors:
- The municipality may have implemented an increase in fee tariffs, thereby contributing to a heightened ratio.
- A surge in commercial activities within the municipality could also account for this trend.

Ratio 3: Property Tax:

The municipality of Saïdia distinguishes itself by maintaining the highest property tax ratio in 2021 and 2022 among its peer municipalities.

Several factors may account for this situation:

- The property tax rates imposed by the municipality of Saïdia exceed those of its counterparts.
- The composition of Saïdia's real estate portfolio, characterized by a substantial number of high-value properties, has contributed to elevated property tax amounts.

Ratio 6: Municipal Service Tax:

- The municipality of Gueznaia has experienced an elevation in the ratio of the municipal service tax for the years 2021 and 2022.
- Multiple factors can account for the higher ratio of this tax within the municipality of Gueznaia: Gueznaia serves as an industrial zone.

Max	Ratio 1	Ratio 2	Ratio 3	Ratio 4	Ratio 5	Ratio 6	Ratio 7	Ratio 8	Ratio 9
Urban Commune 2022	201,85	266,49	368,55	1 135,90	784,87	2 099,98	1 154,33	101,54	12 660,65
Urban Commune 2021	86,11	527,76	464,59	1 097,53	843,54	2 170,01	1 427,21	88,79	11 033,04
Min	Ratio 1	Ratio 2	Ratio 3	Ratio 4	Ratio 5	Ratio 6	Ratio 7	Ratio 8	Ratio 9
Urban Commune 2022	-	-	-	-	-	-	-	-	26,87
Urban Commune 2021	-	-	-	-	-	-	-	-	33,71

- The municipality maintains a comparatively modest population size.

Average	Ratio 1	Ratio 2	Ratio 3	Ratio 4	Ratio 5	Ratio 6	Ratio 7	Ratio 8	Ratio 9
Tier0 0-15K_2022	7,0361074	19,88564	9,8490426	35,45493	11,537422	75,0159325	75,6993399	0	747,7385207
Tier0 0-15K_2021	6,0450731	12,90577	11,194165	43,525834	16,1078681	82,3632816	51,003483	0	623,9170299
Tier1 15K-50K_2022	8,3100083	17,06754	13,195013	74,155087	21,0341168	130,974397	116,837821	0,06291682	606,8533426
Tier1 15K-50K_2021	6,7399439	16,92742	14,446802	79,808754	15,092618	137,073941	139,92996	0,0838891	592,5370137
Tier2 50K-80K_2022	7,4884156	17,0939	19,235316	68,497502	9,29854951	126,301374	99,0330795	1,68813075	496,5642533
Tier2 50K-80K_2021	7,4620428	11,296	19,667175	78,022124	7,95727347	132,232244	109,021647	1,39297774	513,4627323
Tier3 80K-250K_2022	7,609208	20,28041	8,461511	71,577362	8,9684161	127,00563	69,5014802	6,57552893	469,3742099
Tier3 80K-250K_2021	7,0134837	13,2367	8,3350086	75,935929	11,8575921	129,432103	69,8682649	6,12934751	452,2642826
Tier4 250K-600K_2022	13,304217	29,57494	19,693707	143,54713	4,95162275	204,051939	64,4413128	25,3764231	637,0894961
Tier4 250K-600K_2021	10,024517	27,05991	20,859125	149,79782	5,92263069	219,028999	66,6030929	22,8006401	628,0367927
Tier5 600K-3400K_2022	10,823752	45,5531	19,321761	153,4659	7,89990151	186,245317	76,8266254	37,6074063	656,1638283
Tier5 600K-3400K_2021	8,3080056	34,85984	20,407806	156,39179	6,99645946	196,233027	79,9363027	33,0875697	631,8791017

Note: The referenced municipalities, characterized by their elevated respective ratios, have implemented substantial fiscal endeavors, and have effectively generated the requisite revenue via these proprietary income streams.

Analysis of 2021 recurring mandatory expenditure ratios:

As previously outlined in the methodology, we have enumerated a set of seven DOs, as defined by the organic law. The analysis of personnel expenditures per capita may exhibit significant variations. Payroll expenses can diverge from one municipality to another, even in cases where they share a similar population size. Consequently, it is more judicious to direct our attention towards the aggregate sum of the DOs.

Commune	Type of territorial authorities	Population	Tranche population	Total mandatory expenses
COMMUNE DE CASABLANCA	COMMUNE-URBAIN	3357173	Tier5 600K -3400K	2853481778
COMMUNE MARRAKECH	COMMUNE-URBAIN	911990	Tier5 600K -3400K	827312979,3
COMMUNE DE RABAT	COMMUNE-URBAIN	573895	Tier4 250K -600K	811476439,6
COMMUNE TANGER	COMMUNE-URBAIN	947952	Tier5 600K -3400K	511099707,5
COMMUNE DE FES	COMMUNE-URBAIN	1091512	Tier5 600K -3400K	492925595
COMMUNE DE SALE	COMMUNE-URBAIN	890403	Tier5 600K -3400K	489030121,3
COMMUNE MEKNES	COMMUNE-URBAIN	520428	Tier4 250K -600K	382723850,6
COMMUNE OUJDA	COMMUNE-URBAIN	494252	Tier4 250K -600K	347803744
COMMUNE AGADIR	COMMUNE-URBAIN	421844	Tier4 250K -600K	339972190,6
COMMUNE DE KENITRA	COMMUNE-URBAIN	431282	Tier4 250K -600K	327584614
COMMUNE TETOUAN	COMMUNE-URBAIN	380787	Tier4 250K -600K	304862194,5
COMMUNE LAAYOUNE	COMMUNE-URBAIN	280000	Tier4 250K -600K	284755802,2
COMMUNE SAFI	COMMUNE-URBAIN	308508	Tier4 250K -600K	203428662,5
COMMUNE TEMARA	COMMUNE-URBAIN	313510	Tier4 250K -600K	178946998,2

It is observed that major cities in Morocco exhibit higher DOs, a phenomenon that can be explained by several factors:

-As significant economic and administrative centers, these cities often face an increased demand for public services such as infrastructure, healthcare, and transportation. Consequently, the costs associated with providing these services to a dense and diverse population may be higher.

-They frequently serve as hubs for both public and private investments, leading to an upsurge in infrastructure and development projects. These investments aim to promote economic growth, facilitate employment, and enhance the quality of life for residents. However, they can also result in higher expenditures for the implementation and maintenance of these projects.

	Total mandatory expenses / population		Total mandatory expenses / population
<b>Max</b>		<b>Min</b>	
Urban commune	7 172,50	Urban commune	90,73
<b>Average</b>		<b>Total mandatory expenses / population</b>	
Tier0 0-15K			146,10
Tier1 15K -50K			48,91
Tier2 50K -80K			13,52
Tier3 80K -250K			17,00
Tier4 250K -600K			5,00
Tier5 600K -3400K			3,00

We observe that the ratio decreases between Tier 1 and Tier 2 because there are incomprehensible DOs with ratios decreasing as the population increases.

### Impact Assessment of Enhanced Financial Governance

This part is dedicated to a comprehensive analysis of municipalities, grouped by tiers, while examining the ranking of recurring DOs for 2021 and the RP (Revenue Potential) for the 2021-2022 period.

#### - Comparative Analysis of Municipalities by Population Segment:

This study examines urban municipalities, grouping them into five strata based on their population:

Tier 0: Population from 0 to 15,000 inhabitants

Tier 1: Population from 15,000 to 50,000 inhabitants

Tier 2: Population from 50,000 to 80,000 inhabitants

Tier 3: Population from 80,000 to 250,000 inhabitants

Tier 4: Population from 250,000 to 600,000 inhabitants

Tier 5: Population from 600,000 to 3,400,000 inhabitants

The ranks of DOs are determined based on these tiers, considering the total of DOs.

A similar methodology is applied for RPs.

#### - Classification of municipalities by population tiers (Tiers 0 to 3)

Commune Urbain	Type of territorial authorities	population	Expenditure rank	Revenue rank 2021	Revenue rank 2022
COMMUNE SAIDIA	COMMUNE-URBAINE	Tier0 0-15K	20	2	2
COMMUNE TAFRAOUT	COMMUNE-URBAINE	Tier0 0-15K	17	23	26
COMMUNE IFRANE	COMMUNE-URBAINE	Tier0 0-15K	32	6	8
COMMUNE EL OUATIA	COMMUNE-URBAINE	Tier0 0-15K	33	3	3
COMMUNE ZMAMRA	COMMUNE-URBAINE	Tier0 0-15K	52	5	5
COMMUNE TOUARGA	COMMUNE-URBAINE	Tier0 0-15K	19	64	62
COMMUNE JAMAAT SHAIM	COMMUNE-URBAINE	Tier0 0-15K	47	44	12
COMMUNE ROMMANI	COMMUNE-URBAINE	Tier0 0-15K	61	38	47
COMMUNE OUAD AMLIL	COMMUNE-URBAINE	Tier0 0-15K	49	9	22
COMMUNE TARGUIST	COMMUNE-URBAINE	Tier0 0-15K	84	42	39
COMMUNE TISSA	COMMUNE-URBAINE	Tier0 0-15K	59	30	16
COMMUNE BNI DRAR	COMMUNE-URBAINE	Tier0 0-15K	57	43	46
Commune Urbain	Type of territorial authorities	population	Expenditure rank	Revenue rank 2021	Revenue rank 2022
COMMUNE BOUZNKA	COMMUNE-URBAINE	Tier1 15K-50K	5	6	7
COMMUNE MECOUAR-KASBA	COMMUNE-URBAINE	Tier1 15K-50K	1	4	4
COMMUNE GUEZNAIA	COMMUNE-URBAINE	Tier1 15K-50K	4	1	1
COMMUNE CHEFCHAOUEN	COMMUNE-URBAINE	Tier1 15K-50K	24	32	37
COMMUNE BEJAAD	COMMUNE-URBAINE	Tier1 15K-50K	40	42	52
COMMUNE AZEMMOUR	COMMUNE-URBAINE	Tier1 15K-50K	31	49	55
COMMUNE ZEGHANGHANE	COMMUNE-URBAINE	Tier1 15K-50K	17	68	65
COMMUNE HARHOURA	COMMUNE-URBAINE	Tier1 15K-50K	2	5	5
COMMUNE KASBA TADLA	COMMUNE-URBAINE	Tier1 15K-50K	49	33	33
COMMUNE ASSILAH	COMMUNE-URBAINE	Tier1 15K-50K	16	27	24
COMMUNE SIDI YAHIA EL GHARB	COMMUNE-URBAINE	Tier1 15K-50K	37	74	76

Commune Urbain	Type of territorial authorities	population	Expenditure rank	Revenue rank 2021	Revenue rank 2022
COMMUNE OUEZZANE	COMMUNE-URBAIN	Tier2 50K -80K	1	16	17
COMMUNE MARTIL	COMMUNE-URBAIN	Tier2 50K -80K	2	3	2
COMMUNE TIZNIT	COMMUNE-URBAIN	Tier2 50K -80K	4	5	9
COMMUNE M'DIQ	COMMUNE-URBAIN	Tier2 50K -80K	3	4	3
COMMUNE FNIDEQ	COMMUNE-URBAIN	Tier2 50K -80K	9	14	13
COMMUNE SIDI BENNOUR	COMMUNE-URBAIN	Tier2 50K -80K	5	2	4
COMMUNE SIDI KACEM	COMMUNE-URBAIN	Tier2 50K -80K	12	13	11
COMMUNE ESSAOUIRA	COMMUNE-URBAIN	Tier2 50K -80K	14	8	7
COMMUNE AL HOCEIMA	COMMUNE-URBAIN	Tier2 50K -80K	7	9	5
COMMUNE SEFROU	COMMUNE-URBAIN	Tier2 50K -80K	17	18	18
Commune Urbain	Type of territorial authorities	population	Expenditure rank	Revenue rank 2021	Revenue rank 2022
COMMUNE EL JADIDA	COMMUNE-URBAIN	Tier3 80K -250K	5	3	3
COMMUNE BENI MELLAL	COMMUNE-URBAIN	Tier3 80K -250K	6	9	8
COMMUNE MOHAMMADIA	COMMUNE-URBAIN	Tier3 80K -250K	12	2	2
COMMUNE NADOR	COMMUNE-URBAIN	Tier3 80K -250K	2	8	4
COMMUNE KHOURIBGA	COMMUNE-URBAIN	Tier3 80K -250K	13	10	18
COMMUNE TAZA	COMMUNE-URBAIN	Tier3 80K -250K	7	20	22
COMMUNE LARACHE	COMMUNE-URBAIN	Tier3 80K -250K	3	11	17
COMMUNE BERKANE	COMMUNE-URBAIN	Tier3 80K -250K	1	14	15
COMMUNE KSAR EL KEBIR	COMMUNE-URBAIN	Tier3 80K -250K	10	30	28
COMMUNE SETTAT	COMMUNE-URBAIN	Tier3 80K -250K	17	6	9

The rankings of municipalities in terms of DOs and RPs across these four tiers exhibit a substantial degree of heterogeneity. This observation underscores significant disparities among the various municipalities.

Indeed, certain municipalities claim the top position in terms of RPs yet find themselves in less favorable positions regarding expenditures. Conversely, there are municipalities capable of generating considerable RPs while managing restrained expenditure. In contrast, certain municipalities display modest RPs but engage in higher spending.

This multifaceted landscape of municipal performance introduces complexity into our analysis and may preclude us from arriving at definitive conclusions now.

- Classification of Municipalities by Population Strata (Tiers 4 and 5):

Commune Urbain	Type of territorial authorities	population	Expenditure rank	Revenue rank 2021	Revenue rank 2022
COMMUNE DE RABAT	COMMUNE-URBAIN	Tier4 250K -600K	1	1	1
COMMUNE MEKNES	COMMUNE-URBAIN	Tier4 250K -600K	6	8	8
COMMUNE OUJDA	COMMUNE-URBAIN	Tier4 250K -600K	7	6	7
COMMUNE AGADIR	COMMUNE-URBAIN	Tier4 250K -600K	3	2	2
COMMUNE DE KENITRA	COMMUNE-URBAIN	Tier4 250K -600K	5	3	3
COMMUNE TETOUAN	COMMUNE-URBAIN	Tier4 250K -600K	4	5	4
COMMUNE LAAYOUNE	COMMUNE-URBAIN	Tier4 250K -600K	2	9	9
COMMUNE SAFI	COMMUNE-URBAIN	Tier4 250K -600K	8	4	5
COMMUNE TEMARA	COMMUNE-URBAIN	Tier4 250K -600K	9	7	6
Commune Urbain	Type of territorial authorities	population	Expenditure rank	Revenue rank 2021	Revenue rank 2022
COMMUNE DE CASABLANCA	COMMUNE-URBAIN	Tier5 600K -3400K	2	1	1
COMMUNE MARRAKECH	COMMUNE-URBAIN	Tier5 600K -3400K	1	2	2
COMMUNE TANGER	COMMUNE-URBAIN	Tier5 600K -3400K	4	3	3
COMMUNE DE FES	COMMUNE-URBAIN	Tier5 600K -3400K	5	4	4
COMMUNE DE SALE	COMMUNE-URBAIN	Tier5 600K -3400K	3	5	5

We can observe a correlation between RPs and DOs for municipalities:

For Tier 4: it is evident that the municipality of Agadir distinguishes itself as the top performer within its tier. It ranks second in terms of RPs and third in terms of expenditures. It is good that the municipality of Agadir is maintaining a positive financial balance with generated revenues exceeding incurred expenses, leading to a budget surplus. A budget surplus can have several positive implications for a municipality.

Similarly, for Tier 5: the municipality of Casablanca stands out as the top performer within its tier. It holds the first position in terms of RPs and the second position in terms of DOs. This situation confirms solid financial management and the potential for a budget surplus. These observations highlight the exceptional performances of Rabat and Casablanca, respectively in Tiers 4 and 5. These results reflect the ability of these municipalities to maintain a positive financial balance while maximizing revenues and effectively managing expenses.

## **Recommendations**

Effective financial governance is essential to ensure the sustainability of municipalities and the delivery of quality public services. To optimize available resources and enhance financial performance, it is imperative to identify improvement opportunities and implement concrete measures.

- In general, all municipalities could benefit from streamlining their DOs and improving their RPs. It would be prudent to promote these initiatives by implementing suitable evaluation and support mechanisms to optimize municipalities' financial governance and promote their economic and social development;
- The implementation of urban planning schemes should be accelerated to enable municipalities to enhance their own-source revenues;
- Municipalities with limited own-source revenues but higher expenditures could be encouraged to improve their own-source revenues. In this regard, providing support from regulatory bodies could be suggested to identify solutions for increasing revenue;
- For municipalities generating substantial own-source revenues while having lower expenses, it would be opportune to incentivize them through performance grants.

## **Conclusion**

The objective of this study was to identify municipalities that require support to improve their own revenues. The paper began with a recapitulation of the main theoretical foundations of local authorities and the relationships between them, as well as the relationship between local government finance and the performance of local authorities. Our in-depth analysis allowed us to gain a better understanding of

how municipalities generate their own revenues. Diversifying sources of revenue, including local taxes, fees, various rights, and economic activities, is necessary to ensure strong financial governance and support the performance of municipalities. By identifying larger municipalities (tiers 4-5) with a higher ratio, we observe that they have succeeded in generating significant own revenues through effective resource management. These municipalities have optimized the collection of local taxes, implemented appropriate fee pricing policies, and developed profitable economic activities. Their ability to generate additional revenue contributes to their overall financial performance.

Identifying municipalities with a higher ratio has allowed us to highlight best practices and effective strategies for generating own revenues implemented by these municipalities. These success stories can serve as inspiration for other municipalities seeking to improve their financial governance and performance. The analysis also allowed us to determine which municipalities spend the most. To make the comparison between mandatory expenditures and own revenues homogeneous, we chose to classify them into strata (0-5). By classifying municipalities into strata, we grouped municipalities with similar expenditure levels. This allowed us to compare financial performance more fairly and highlight differences between groups of urban municipalities.

Through this tiered ranking, we were able to identify municipalities that may have opportunities for improvement in expenditure management and the generation of own revenues. Municipalities in the higher tiers (tiers 4-5) can benefit from a thorough evaluation of their financial management practices, with a focus on optimizing mandatory expenditures, seeking additional sources of revenue, and implementing strategies to strengthen their financial autonomy.

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