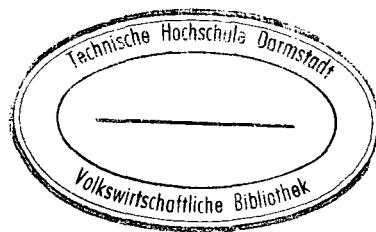


Resilience and Growth Through Sustained Adjustment

The Moroccan Experience

**Saleh M. Nsouli, Sena Eken, Klaus Enders,
Van-Can Thai, Jörg Decressin,
and Filippo Cartiglia, with Janet Bungay**



INTERNATIONAL MONETARY FUND

Washington DC

January 1995

VB TU Darmstadt



51644174

Contents

	Page
Preface	vii
I. Introduction	1
II. Economic and Financial Crisis in the Early 1980s	3
III. Adjustment Strategy—An Overview	8
IV. Fiscal Policy	11
Expenditure Issues and Policies	11
Revenue Issues and Policies	14
Tax System	14
Tax Reforms	15
Outcome	16
Expenditure	16
Revenue	16
Fiscal Balance	17
Social Issues and Protection	18
Local Government Finance Issues	19
Outstanding Issues	20
V. Monetary Management and Financial Sector Restructuring	22
Role of Credit Policy	22
Reform of Monetary Policy Instruments and the Financial System	25
Case for Reforms	25
Improving Credit Policy Instruments	25
Reforming the Financial System	26
Increasing Financial Savings	28
Outstanding Issues	29
VI. Liberalization of the Economy	30
Public Enterprises	30
Trade	32
Prices	34
Marketing	34
Investment Codes	35
VII. Move to Convertibility	37
Concept of Convertibility	38
Reduction of Exchange Restrictions	38
Exchange Rate Policy	39
International Liquidity	40

VIII. Performance	42
Growth	42
Inflation	46
Balance of Payments	47
External Debt	50

IX. Challenges and Lessons	53
-----------------------------------	-----------

References	56
-------------------	-----------

Tables

Section		
II	1. Selected Economic and Financial Indicators	4
III	2. Stand-By and Extended Arrangements Approved During 1980-92, and Related Purchases Under the Compensatory Financing Facility	9
	3. Performance Under Adjustment Programs	10
IV	4. Financial Transactions of the Central Government	12
	5. Social Indicators	19
V	6. Monetary Indicators	23
VIII	7. Sectoral Composition of GDP and Growth	43
	8. Savings-Investment Balance	45
	9. Balance of Payments	48
	10. Contributions of Changes in Trade Volumes and Terms of Trade to Changes in the Trade Balance	50

Charts

Section		
IV	1. Fiscal Indicators	13
V	2. Interest Rates	22
	3. Monetary Aggregates	24
VII	4. Exchange Rate and Price Movements	40
VIII	5. Growth and Inflation	42
	6. GDP by Sector	44
	7. Savings and Investment	44
	8. External Accounts	47
	9. Balance of Payments	51
	10. Secondary Market Prices for Moroccan Debt	52

Appendix I Tables

A1.	Gross Domestic Product by Sector of Origin	59
A2.	Savings-Investment Balance	60
A3.	Supply and Use of Resources	61
A4.	Gross Fixed Capital Formation and Its Components	62

A5.	Production, Consumption, Imports, and Prices of Main Cereals	63
A6.	Official Agricultural Producer Prices	64
A7.	Area, Production, and Yield of Cereals	65
A8.	Imports of Main Agricultural Products	66
A9.	Official Marketing of Principal Homegrown Cereals by ONICL	66
A10.	Sugar Industry Developments	67
A11.	Livestock and Controlled Slaughtering	67
A12.	Marine Fisheries	68
A13.	Mineral Production and Exports	68
A14.	Index of Industrial Production	69
A15.	Authorized Industrial Investments	70
A16.	Foreign Direct Investment by Sector	71
A17.	Energy Production	71
A18.	Energy Consumption	72
A19.	Retail Prices of Petroleum Products	72
A20.	Road Transport	73
A21.	Rail Transport	74
A22.	Air Transport	75
A23.	Maritime Transport	76
A24.	Tourist Arrivals by Nationality	77
A25.	Consumer Price Index	78
A26.	Wholesale Price Index (WPI)	79
A27.	Price Index of Industrial Production, Energy, and Mining	80
A28.	Evolution of Consumer Subsidies and Retail Prices	81
A29.	National Minimum Wages	82
A30.	Urban Population by Activity and Profession	83
A31.	Increases in Public Utility Tariffs	84
A32.	Financial Transactions of the Central Government	85
A33.	Central Government Revenue	89
A34.	Economic Classification of Central Government Expenditure	90
A35.	Functional Classification of Central Government Current Expenditure	91
A36.	Functional Classification of Central Government Investment Expenditure	93
A37.	Administrative Classification of Central Government Current Expenditure	94
A38.	Administrative Classification of Central Government Investment Expenditure	95
A39.	Central Government Employment and Wage Indicators	96
A40.	Central Government Debt	96
A41.	External Debt Service of Central Government	97
A42.	Current Subsidies to Public Enterprises	97
A43.	Capital Subsidies to Public Enterprises	98
A44.	Monetary Survey	99
A45.	Monetary Survey, Net Foreign Assets	100
A46.	Summary Accounts of Bank Al-Maghrib	101
A47.	Summary Accounts of the Deposit Money Banks	102
A48.	Distribution of Credit to the Private Sector	103
A49.	Sectoral Distribution of Bank Credit to the Economy	104
A50.	Deposit Interest Rates	105
A51.	Money Market Operations	106
A52.	Lending Interest Rates	108
A53.	Assets and Liabilities of the Specialized Credit Institutions	109
A54.	Distribution of Imports by Customs Category and by Import Program Category	110
A55.	Merchandise Exports, f.o.b.	111
A56.	Merchandise Imports	112
A57.	Value, Volume, and Unit Value of Selected Exports	113

A58.	Value, Volume, and Unit Value of Selected Imports	114
A59.	Exports by Country of Destination	115
A60.	Imports by Country of Origin	116
A61.	External Trade with the European Union	117
A62.	Exports of Selected Agricultural Products Subject to Restriction in European Union Countries	118
A63.	Import Restrictions on Textile Products into European Union Countries	118
A64.	Balance of Payments	119
A65.	Bilateral Nominal and Real Exchange Rates	120
A66.	Effective Exchange Rates	121
A67.	Stock of External Public Debt	122
A68.	Debt Service on Government-Guaranteed Medium- and Long-Term Debt	123
 Appendix II		
	Summary of the Tax System as of March 1994	124
 Appendix III		
	Money Demand and Inflation	128
 Appendix IV		
	Monetary and Credit Policy Measures Adopted by the Credit and Financial Market Committee (CCMF), 1989–March 1994	132
 Appendix V		
	Chronology of Key Reforms of Exchange System, 1980–93	136

The following symbols have been used throughout this paper:

- ... to indicate that data are not available;
 - to indicate that the figure is zero or less than half the final digit shown, or that the item does not exist;
 - between years or months (e.g., 1991–92 or January–June) to indicate the years or months covered, including the beginning and ending years or months;
 - / between years (e.g., 1991/92) to indicate a crop or fiscal (financial) year.
- ✓ “Billion” means a thousand million.

Minor discrepancies between constituent figures and totals are due to rounding.

The term “country,” as used in this paper, does not in all cases refer to a territorial entity that is a state as understood by international law and practice; the term also covers some territorial entities that are not states, but for which statistical data are maintained and provided internationally on a separate and independent basis.