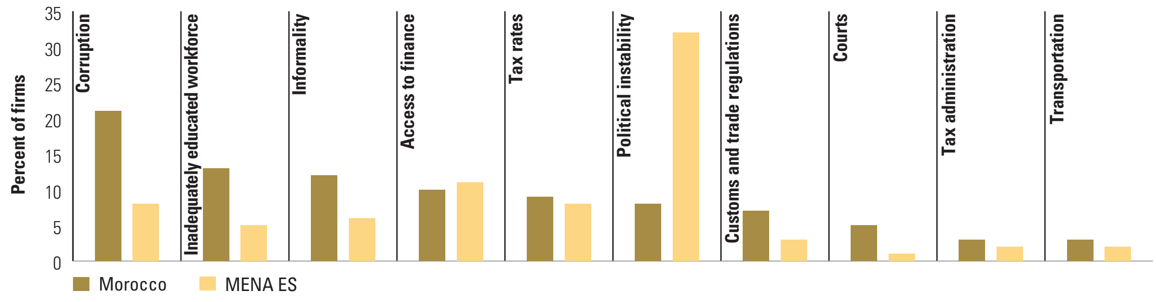
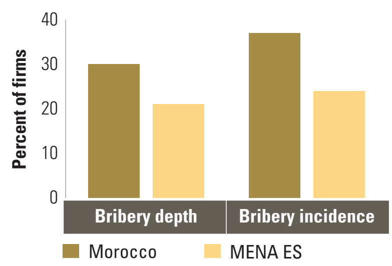
MOROCCO

FIGURE 1: Ranking of the top business environment obstacle for firms in Morocco



Corruption is the top obstacle reported by Moroccan firms

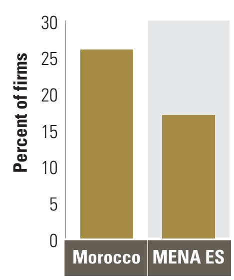
FIGURE 2: Bribery depth and incidence



Morocco is one of the few economies in the MENA ES region where political instability does not rank highly as a top obstacle. Instead, Moroccan firms perceive corruption as the most important impediment to the business environment (figure 1): 21 percent of firms identify corruption as the top obstacle, compared with the MENA ES average of only 8 percent. Indeed, Morocco has one of the highest reported bribery depths in the MENA ES region, at 30 percent (compared with a MENA ES average of 21 percent). Bribery depth reflects the percentage of transactions where a firm is asked or expected to pay a bribe when soliciting public services, permits, or licenses. Bribery incidence—the percentage of firms experiencing at least one bribe payment request—is, at 37 percent, above the MENA ES average of 24 percent. Morocco also compares poorly with other lower-middle-income economies, where the averages for bribery depth and incidence are 16 and 21 percent respectively. An inadequately educated workforce ranks second as top obstacle in Morocco, and practices of competitors in the informal sector emerge in third place. Indeed, 47 percent of firms in Morocco report that they are competing against unregistered or informal firms, which is significantly higher than the regional average of 16 percent and trailing only the Republic of Yemen.

Morocco lacks an adequately educated workforce

FIGURE 3: Firms offering formal training



Of surveyed firms in Morocco, 13 percent identify an inadequately educated workforce as the top business obstacle. Morocco has one of the lowest tertiary school enrollments in the region, with only the Republic of Yemen and Djibouti performing worse. In Morocco, gross enrolment at the tertiary level is only 16 percent of the total tertiary age population, which compares poorly to 30 percent in the MENA ES region as a whole. Moreover, the quality of education lags behind and often does not correspond to the business needs of the private sector. At the same time, Morocco is one of the MENA ES economies where the intensity of training provided by firms is one of the highest, with 26 percent of firms offering formal training compared with a regional average of 17 percent (figure 3). This formal training provision remains well below the lower-middle-income average of 37 percent.

Financial intermediation in Morocco compares well with other economies in the MENA ES region

Morocco has one of the highest levels of financial depth among MENA ES economies, despite being a lower-middle-income economy, and is one of only two economies in the region that have fully functioning credit bureaus. Overall, financial intermediation seems to be working well in Morocco. Twenty-one percent of working capital and investment is financed through banks (figure 4), the highest proportion among MENA ES economies and by far exceeding the lower-middle-income average of 12 percent. The high prevalence of bank finance is mirrored by the highest share of not credit-constrained firms (those that either did not need a loan or whose loan was approved in full): 87 percent, compared with the average of 73 percent in the MENA ES region (figure 5). Moreover, a low share of firms are discouraged from applying for a loan due to unfavorable terms and conditions such as complex application procedures, unfavorable interest rates, high collateral requirements, or insufficient size of loan and maturity. In fact, the share of discouraged firms in Morocco is the lowest among all MENA ES economies, as only 10 percent indicate being discouraged from applying for a loan while this proportion ranges from 13 percent in Djibouti to 49 percent in the Republic of Yemen. Morocco also has one of the lowest collateral ratios (the ratio of the value of collateral to the value of the loan) in the MENA ES region at 166 percent. The higher regional average of 208 percent is driven by the very high collateral ratios of the Republic of Yemen (281 percent), Egypt (272 percent) and Tunisia (252 percent).

FIGURE 4: Use of banks as financing source

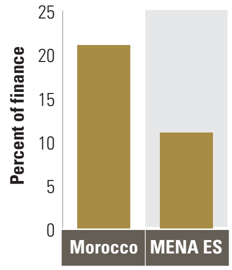
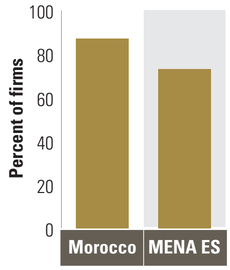


FIGURE 5: Not credit-constrained firms



Moroccan firms engage more frequently in marketing than in other types of innovation

Morocco has one of the highest shares of foreign-owned manufacturing exporters in the MENA ES region (27 percent in Morocco compared with 15 percent in the MENA ES region on average, figure 6). This can, at least partly, be explained by the country's political stability, its capacity to attract foreign investors, and its proximity to Europe. In terms of innovative activities, Moroccan firms engage most frequently, at 28 percent each, in process and marketing innovation, which is well ahead of the regional averages of 19 and 20 percent respectively. Moreover, a higher proportion of firms in Morocco report engaging in R&D or buying external knowledge (10 percent) than in the MENA ES region on average (7 percent) (figure 7). This could be explained by greater integration of Moroccan firms into GVCs than their regional peers (with the exception of Tunisia) as well as the higher share of foreign ownership.

FIGURE 6: Foreign ownership of exporting manufacturing firms

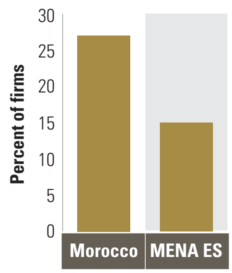
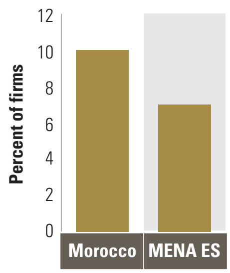


FIGURE 7: Firms engaged in R&D (inhouse or contracted)



The Economy Fiches summarize the economy-specific findings of the report "What's Holding Back the Private Sector in MENA?" Note that annualized sales and employment growth statistics are calculated using the reference years 2009 and 2012; these reference years are used due to when the Enterprise Survey was administered. The findings, interpretations, and conclusions expressed in this fiche are entirely those of the authors. They do not necessarily represent the views of the European Bank for Reconstruction and Development/European Investment Bank/World Bank and its affiliated organizations, or those of their Executive Directors or the governments they represent.