

The Financial System Evolution Analysis Concerning the Advanced Regionalization of Fez-Meknes Region

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Abstract: Regional policies are now as an expression of the public will to make and transform the local reality of territories through the involvement of territorial actors and by means of legal-financial tools to allocate optimal public and private resources for the development of the regions. Therefore, when it comes to introducing reforms to local authorities, the legislator must respect the principle of free administration of these communities. This principle is reflected, in budgetary and fiscal matters, by that of financial autonomy that has been constitutionalized and appeared in the laws. This must require the territorial authorities to have the legal powers to take decisions on their income and expenses. In this perceptible, regionalization, in its most accomplished form, is based on the transfer of competencies and responsibilities in the area of public finances to territorial communities enjoying a decision-making autonomy recognized by the constitution and / or the law at the regional level, aiming to improve territorial development. The exercise of transferred skills in a responsible and effective manner requires the availability of adequate resources in volume and diversified in kind. The mobilization of own tax and non-tax revenues; these are supplemented by transfers of state grants and subsidies, with the aim of offsetting the transfer of new allocations.

Key words: Regionalization, system of financing local authorities, fiscal resources.

I - INTRODUCTION

All regionalization policies are based on socio-economic concepts and meet specific objectives of redevelopment, integration and territorial reorganization. It is also a lever for the modernization and reform of state structures, in particular, a foundation of territorial governance.

The idea of bringing together economic, political and regional transformations has changed the region as a simple geographical conception, to become a real social, political and economic partner with specific skills. They allow, within the framework of the law, a field of initiative to the height of their financial, human and technical resources, rather than those accompanying competences transferred by the State. The region must have a shared legitimacy in relation to that of the center, which can be a fundamental player in democracy, proximity and development.

The new Moroccan constitution of July 2011 introduced the process of territorial reform, which led to the adoption on July 7, 2015 by the parliament, of three organic laws relating to local authorities, in particular the law n°111-14 concerning regions. The organic law n°112-14 on the prefectures and the provinces, and lastly, the one on the communes n°113-14. These texts of laws guarantee to the territorial communities an administrative and financial autonomy, and constitute a lever of advanced regionalization.

The Regions act aims in particular at strengthening the powers and competences of the regions on the basis of free administration. It also confers autonomous powers on the regions, others which are transferred to them by the State or shared with. However, this law defines the methods of public voting in the elections of the regional councils. The law sets, in particular, the means of financing the regions, its budget and the financial and fiscal resources, as well as the management systems of the inter-regional solidarity fund and the social upgrading fund.

On the financial side, regionalization gives the regions a broad perspective of intervention in the financial and fiscal fields. It gives them a range of skills and increased resources for regional councils, as well as solidarity mechanisms that encourage these councils a wide field of free initiative and practice in the framework of the law and the constitution.

II - THEORETICAL APPROACHS

In his book on decentralization, Lemieux (1997) proposes to define regionalization as a "transfer of powers from a central authority to regional peripheral authorities", which implies transformations by which a centralized country transfers administrative to its regions. By promoting the role of regions in decision-making. Indeed, regionalization is the creation of a new level in the territorial organization of the

state through the founding of regional institutions and the transfer of administrative powers at the regional level. In this sense, it will be useful to recall the definition of Charles OMAN (1994), which revolves around "a movement of two or more societies towards their integration or the increased sharing of their sovereignty. It's a centripetal process. Moreover, regionalization is the result of a political decision concerning the territorial administrative reorganization of a country, without neglecting the cultural, historical and linguistic particularities of each region.

In this regard, it is concluded that regionalization is "taking into account regional specificities in the administration of public affairs". It is conceived as an integrative regionalization; that is to say a regionalization whose main function is to consolidate the unity of the State by the economic and social development of the regions and the fight against the various regional imbalances.

Regionalization is "a term that refers to several forms ranging from administrative regionalization, regionalization by existing local authorities, regional decentralization, and political regionalization". Each of these four types correspond to different notions of the region. But it will be seen that several types of regionalization can coexist within the same state.

Administrative regionalization is the establishment by the state of subordinate authorities, endowed with a certain degree of legal autonomy, of instruments placed under the control of the State, whose functions aimed at encouraging regional socio-economic development

Regionalization by the existing local authorities: The State depends on the already existing territorial collectivities with a view to achieving economic development. This type of regionalization differs from the administrative regionalization by the fact that the regionalization is realized by decentralized institutions acting within their own powers.

Regional Decentralization: This is the creation or substitution of a new local authority at a higher level than existing communities. It has more or less wide skills. With an essentially economic vocation. And for both development purpose and development oriented. The region is then characterized by the general rules of local authorities, and enjoys the same legal status as existing territorial communities.

Political or institutional regionalization tends to create at the regional level a quasi-state form of government that is reflected through the adoption of power structures similar to those of the state (parliament, executive and courts), and to ensure the establishment of a regional legal order which has the effect of establishing a hierarchical relationship between the regions and the subregional communities. This system developed in Europe in the 1970s as a reaction against the concentration of the economic activity in the big cities, it tends to promote the autonomy of territorial entities by mobilizing its economic and identity assets.

III - EMPIRICAL STUDY RESULTS

III-1 Financial analysis of Fez-Boulemane region

The resources transferred from the State pursuant to the provisions of Law No. 47-96 of 2 April 1997 on the organization of regions include 1% of the share of corporation tax, 1% of the share of income tax fixed since the 1999-2000 Finance Act, and 13% of the share of tax on insurance contracts, domiciled in the special account of the treasury is distributed among the regions according to population.

These shares are paid into the special trust account "special fund relating to the proceeds of tax shares allocated to the regions" created by the finance Act 1999-2000, the authorizing supervised by the Minister of the interior.

The distribution mechanism adopted by this law consists in sharing the resources of this account, in two blocks of 50% each. The first half is divided equally among the regions in order to ensure a minimum of resources for each of them. The other half is distributed, in accordance with the decree of November 1999, in proportion to the area of each region and according to the legal population fixed by the last general census of the population and the habitat.

During the period 2006-2015 the resources allocated by the State to the region represent more than 70% of their revenues. The last ones are aimed at further consolidating the financial resources of the region.

The Moroccan tax system has recognized reforms, based on the objectives of simplicity, efficiency and equity. It has a tax architecture more complex than before. In this sense, Law no. 47-06, which entered into force in 2008, abolished twenty-four taxes and fees, and gave the local tax structures the same prerogatives as those granted to the State Tax Administration.

III-1-1 Tax revenue transferred from the state to the region

In this perspective, the taxes of the region do not count less than 10 different taxes, among which two (Share in the product income taxes, share in the product of the corporate taxes, tax on insurance contracts) represent 88% of the total product recovered in 2015, while eight other taxes represent only 12% of this total.

➤ Share in the product of the income taxes

For the 2015 financial year, income taxes (IT) income totaled 19.45 million dirhams, up 43.7% compared to fiscal 2014, an analysis of tax revenues during the 2006-2015 decade (see Table n°1), and shows that the share of this tax has increased compared to the year 2014. It went from 18% in 2014 to 23.4% in 2015 with peaks reaching 40.3% in 2008, 34% in 2011 and 32.8 % in 2007 of total revenue of the region.

Table 1. Share of CT / IT in total revenue of the region between 2006-2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
IT	21.5%	32.8%	40.3%	31.57%	20%	34%	31.1%	29.7%	18%	23.4%
CT	19.2%	38.8%	42.9%	32.86%	20.8%	35%	44.2%	30.9%	36.8%	27.6%
TIC	-	-	-	-	-	9.2%	8.1%	23.5%	28.8%	36.9%
Total	40.7%	71.6%	83.2%	64.4%	40.8%	78.2%	83.4%	84.1%	83.6%	87.9%

Source: administrative accounts of Fez-Boulmane region

➤ **Share in the corporate taxes product**

In 2015, revenues from the corporate taxes amounted to MAD 22.8 million, a decrease of 21% compared to 2014. But these revenues still account for a large share of the total revenue of the region, which represents (Table 1) 27.6% of total revenues of the region in 2015, compared to 36.8% in 2014, with a peak of 44.2% in 2012.

➤ **Share in the proceeds of the tax on insurance contracts**

The main conclusion to be drawn from the reading, is the upward trend in the share of the tax on insurance contracts prevailed in the total revenues of the region. It represents an average of 21.3% over the period 2011-2015 of total revenues of the region. It reached its peak 36.9% in 2015 with 30.6 million DH. This increase is positively correlated with the evolution of economic activity as a whole.

The analysis of the evolution of the tax revenues during the period 2006-2015 shows the evolution of the share of the taxes of the region following the performance of the companies and the improvement of the national economic result. In particular, this can be justified by the integration of new taxes or the cancellation of unprofitable taxes.

III-1-2 Non-tax resources

The proportion of non-tax resources in the region's budget is greatly reduced. According to the administrative accounts, non-tax revenue is divided into four categories: proceeds from sales of plans and printed matter, and proceeds from the interest of the funds placed in treasury, unplanned receipts, miscellaneous and participation of the ministerial departments. The share of non-tax revenues represents 2.8% in 2015 of the revenues of the region against 1.6% in 2014. These resources knew a peak of 14.5% in 2009 and these thanks, mainly, to a subsidy of the participation of the ministerial departments of 6.9 million DH.

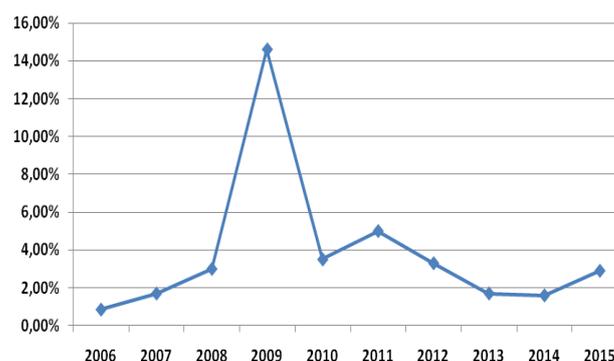
In addition, the share of interest income from treasury funds and unplanned miscellaneous income in non-tax revenue still constitutes the bulk of resources.

Table 2. Investment income of the Fez-Boulemane region in millions of DH

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Excess of the first part	69.2	25.8	25.6	29	46.7	25.9	21.4	41.5	42	46.2
Surpluses from the previous year	52.9	101.7	110	103.6	113.1	135.5	110.7	95.7	102.9	104.6
Participation of ministerial departments				6.9	1.2	1				1.25
Special investment grants (VAT)	1.15					1	0.169			
Total	133.7	127.6	135.7	139.6	161	163.5	132.3	137.3	144.9	152.1

Sources: administrative accounts data

Figure 1. Non-tax revenues in Fez-Boulmane region during 2006-2015



Sources: administrative accounts data

III-1-3 Low investment income

Investment receipts (excluding borrowing) consist mainly of transfer of a surplus from the first part (operation) to the second part (investment). The latter intends on one hand, to finance investment expenses, and on the other hand, to provide sufficient resources to cover the repayment in capital city of borrowing. In particular, other receipts constitute the foundations of the investment it is about a surplus of the previous year; occasionally of a participation of the ministerial departments, and a special investment grant (VAT) to cover a specific investment project.

In 2015, surpluses amounted to MAD 150.9 million, or nearly 99% of non-borrowing investment income. This component experienced significant variations in the surpluses of previous years. The latter recorded a volume of MAD 104.6 million in 2015, up by 1.65% compared to 2014. This confirms the low level of investment income, which is based on surpluses and cannot cover the costs of investment

III-1-4 Low level of borrowing

The administrative accounts of the region show that the region can occasionally resort to borrowing (only for investment projects). Indeed, it amounts to 56.2 million DH in 2015 and 37.1 million in 2009.

Table 3. Borrowing Products of the Region for the Period 2006-2015

	2007	2008	2009	2015
browning Product	20000000	40000000	37126000	56200000

Sources: administrative accounts data

Since 2007, the regional debt has generally increased over the period 2006-2015. The region has resorted to borrowing to complete the financing of its investment. Thus, in 2007, the debt was 20 million DH. From 2009, the region experienced a period of deleveraging.

In 2015, the situation in the region worsened and indebtedness increased again. In the amount of DH 56.2 million to finance investment expenditure. This situation of high debt explains the importance of borrowing for the region. While being a complementary resource to be able to finance their investments, the loan is an important load for the regional finances. However, the repayment of the loan through receipts represents a significant part of the means of financing the investment is used to finance the repayment of the loan.

III-2 The evolution of finances of Fez-Meknes region

III-2-1 Organic law 111-14 on the regions

The year 2015 was marked by major changes in the implementation of the project of advanced regionalization, with the implementation of the new territorial division of 12 regions, and the adoption of organic bills of local authorities. These are the Organic Law 111-14 on the regions, the Draft Organic Law 112-14 on Prefectures and Provinces and the Organic Law 113-14 on Municipalities.

The new organic law on the regions concretised the principle of autonomous financial management, based on the principle of subsidiarity for the definition of common and transferred prerogatives. In this sense, the region must have, for the exercise of its powers, its own financial resources, resources allocated to it by the State and proceeds from borrowing. In addition, this text determines the financial sources of the regions, and states that the chairman of the board is the authorizing officer of the regional budget.

The novelty of the regional transferred resources, consists in the allocation of the State to the regions under the finance laws and in a progressive way of the rates fixed at 5% of the IT, 5% of the CT and 20% the proceeds of the tax on insurance contracts. credits are added to this from the general budgets of the State with the prospect of waiting for a ceiling of 10 billion dirhams in 2021.

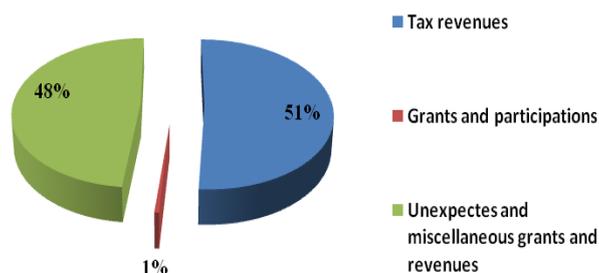
III-2-2 The revenue level

The evolution of the financial situation of the region is reflected in the administrative accounts. These data make it possible to analyze the evolution of the revenues and expenditures of the region in order to visualize the reforms undertaken after the implementation of the new regionalization.

In this perspective, a revenue analysis of the Fez-Meknes region shows a rapid evolution in 2016. They stand at 399.45 million DH (excluding borrowing). They are made up of 51% by tax revenues, 1% by endowments and participations and 48% by various subsidies and receipts.

Since the entry into force of the reform, the taxes transferred, are amounted to 44.3 billion dirhams in 2009, representing 182.6 billion dirhams in 2016, and 62.8 billion dirhams in 2015. This increase can be justified by the increase in subsidies and on the part of the region in the product of the CT and the IT, which rose to 136.2 million DH in 2016 against 42.2 previously.

Figure 2. The revenue of the region in 2016



Sources: administrative accounts data

Unlike in the previous year, state grants and subsidies amounted to MAD 192.7 billion in 2016. This increase was mainly due to dividends (MAD 2 billion), and State subsidy of MAD 190.7 billion. The latter, did not exist before.

After a slight decrease in previous years, investment income excluding loans increased to MAD 5.3 billion, mainly due to the special investment grant of MAD 3.3 billion and the participation of the INDH fund in MAD 2 billion.

IV - CONCLUSION

According to the organic law n°111-14 relating to the regions in 2015, the region is a territorial collectivity of public law, endowed with the moral personality, the administrative autonomy and the financial autonomy. It constitutes one of the levels of the decentralized territorial organization of the Kingdom, based on an advanced regionalization. Beyond the developments and reforms initiated after the new law. The financial situation of the region as a whole has been characterized by an increase in expenditure faster than that of revenues and, as a result,

overall investment expenditure. Still progressing and indebtedness has increased.

In spite of this progress, regional finances are suffering, on the one hand, from inadequate own resources, which makes the region dependent on financial support from the State, in particular through an under-exploitation of allocated financial resources, marked by the availability of resources (unused credits).

Investment income is still low in Fez-Meknes region since it is dependent on the surplus of the first part of the budget and that of the previous year, which leads to a weakness in the execution capacity projects by the region.

There has been a sharp increase in tax revenues since the reform and the new breakdown, an improvement which is, however, largely due to the new tax transfers pending the involvement of the new rates of the corporate taxes and the income taxes.

For this reason, the transition from extended regionalization to advanced regionalization must take into consideration the need for compensation for the competences attributed to the new Fez-Meknes region by financial aid granted by the State in the form of grants and endowments. In particular, a margin of discretion as regards own revenue, local taxation and the management of its expenditure.

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