



Problematic of budget deficit and sustainability in Morocco

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Abstract

Many authors have addressed the issue of the budget deficit. This is a question which poses a problem due to the absence of a consensual conceptual and theoretical framework accepted by everyone, on both theoretically and empirically plans.

In the case of the Moroccan economy, it turns out that budget deficit policy prevails because of its adoption as an instrument of economic policy. Indeed, from the 1970s to the present day, the imbalance between expenses and revenues poses the problem of budget deficit in worrying proportions with the constraints of financing economic growth and the multiple economic and social requirements. The main problem that remains is the persistence of the budget deficit qualified as structural, which more than ever imposes its sustainability in an objective manner. The purpose of this article is to shed light on the problem of the budget deficit and the question of its sustainability.

The analysis of the current budget deficit situation in Morocco through this study unfortunately leads us to draw several conclusions, the important one of which is its structural, dynamic character and its negative impact on economic growth and development in Morocco. Reducing the budget deficit, improving it or at least reducing its impact on the economy is an imperative that is needed more than ever. In this sense, drastic and rigorous measures must be taken into consideration by the authorities concerned, such as the improvement of tax and non-tax revenues, without penalizing the productive system, the rationalization of operating expenses and the improvement in investment spending. In other words, adopting and implementing good governance practices in public finance is imperative and decisive.

Keywords: Budget Deficit, Debt, Revenues, Expenses, Sustainability

1. Introduction

Although the beginnings of discussions on the sustainability of public finances go back to the work of JM Keynes (1923), this question really constituted the cornerstone in research work only with the debates which focused on the harmful consequences that generates massive indebtedness at the national and international levels, in particular "with regard to the crowding-out effect and the rise in interest rates which can lead to a slowdown in private sector investments" (Blanchard et al., 1984), which can lead to slower overall economic growth.

Moreover, the failure of the solvency approach can be explained, among other things, by the partial vision of the debt problem that it involves. By developing an analysis centered on the interests of creditors, this vision considers the debtor as the main, if not the only one responsible for his debt situation. In this context, the sustainability approach intends to

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complete it by adopting a more balanced treatment of the issue. This approach is fully justified if one keeps in mind the causes which led to the outbreak of the crisis in 1982. (Combarrous, 2007:10).

Thus, the increase in deficits and public debt in many countries in recent years has led to renewed concerns about the level of the budget deficit and that of the public debt.

Like other countries, "the critical level of the budget deficit observed in Morocco since 2011 leads straight to unsustainable public debt which jeopardizes the future of coming generations" (Berrada, 2015). Indeed, in the Moroccan case, it turns out that budget deficit policy as the instrument of economic policy predominates. From the 1970s to the present day, the budgetary imbalance between expenditure and revenue poses the problem of budget deficit in worrying proportions with the constraints of financing economic and social growth.

The consequence of such a situation is precisely the persistence of the budget deficit qualified as structural. More than ever, such a situation calls on the public authorities to take the necessary measures effectively and efficiently to analyze its sustainability in an objective manner with a view to even to what extent it is possible to seek the proportions or limits within which this budget deficit cannot hinder the mechanisms of growth and development. The purpose of this work is precisely to shed light on the problem of the budget deficit and the question of its sustainability.

2. Working Methodology

Dealing with the issue of budget deficit is not an easy task, but rather complex. On the one hand, this is a problem which, both theoretically and empirically, poses a problem due to the absence of a consensual conceptual and theoretical framework accepted by everyone, and on the other hand there are controversies on the way of solving it concretely and objectively and specifying how it is necessary to determine the proportions of its sustainability according to its magnitude and its dynamics.

To address this problem in the Moroccan case, we deemed it necessary to focus and articulate our work on several questions:

- ❖ A first point recalls the theoretical benchmarks of two main currents of economic thought, namely the Keynesian paradigm and the classical paradigm in order to identify the theoretical foundations of each current on the budget deficit. The first is mainly based on the foundations of the Keynesian multiplier and the need for the State as a regulator of the economy and that budget deficit does not pose a problem for economic growth. The classical paradigm, on the other hand, advocates the need a healthy liberal economy of any budget deficit.
- ❖ A second point explains the origins and explanatory causes of the budget deficit in Morocco;
- ❖ As for the third, it addresses the definition of budget deficit, public policy in terms of budgetary policy, the size and dynamics of the structural balance;
- ❖ The fourth point is devoted to the analysis of the unstable and irregular nature of public revenues;
- ❖ The fifth relates to the study of the upward and structural trend in public spending.
- ❖ budget deficit between the grip of multiple economic and social requirements, economic growth and the constraint of sustainability;

With regard to the last point, it deals with the problem of the sustainability of the budget deficit and the need for its budgetary recovery.

2.1. Theoretical References

Referring to the currents of economic thought relating to the role of the state in general, it turns out that the Keynesian and classical schools predominate with, however, completely opposite approaches and visions, far from being consensual. For classical economists, the role of the state must be limited to the exercise of its sovereign functions and the guarantee of the free functioning of the market. Above all, it must not intervene in the economy, otherwise it will destabilize self-regulatory mechanisms.

For Keynesians, to meet the needs of growth, the state must intervene in the economy to correct market dysfunctions. Thus, the state can play a decisive role in economic recovery.

In budgetary policy, if the classic theses castigate the existence of a budget deficit outside certain circumstances such as wars and drought for example, the Keynesian positions are rather favorable to the use of this budget deficit, which according to them can have a positive impact on growth and consequently the creation of wealth. So what are these two paradigms about budget deficit?



2.1.1. Keynesian Paradigm

As a regulator of economic activity, the state can influence public spending regardless of the size of the revenue. In other words, the budget deficit created by the importance of public expenditure in relation to revenue, is justified by the fact that this instrument can have a multiplier effect on national income. According to the proponents of this paradigm, an effective increase in public investment spending constitutes a source of wealth creation, and therefore has a positive effect on Gross Domestic Product (GDP) according to the Keynesian multiplier theory.

According to this Keynesian discourse, the public deficit is the most appropriate instrument for managing the level of aggregate demand. The authorities must accept and even accentuate a spontaneous deficit in times of depression (Sterdyniak, 1983).

Conforming to Keynesian logic, the impact of the increase in indebtedness, as a means of financing, on growth is considered positive. In other words, budget deficit does not cost either for present or future generations, on the contrary, it has the capacity to stimulate economic growth provided that it is used to finance investments. This logic draws its foundations from the theory of global demand and the Keynesian multiplier.

Indeed, a budget deficit favoring economic recovery generates by the accelerating effect a more than proportional increase in investment, which in turn causes an increase in production and therefore a higher cost of the economy. In other words, the expenditure multiplier has the same effect as the income investment multiplier according to the following logic:

$$\Delta R = \frac{1}{1-c} \Delta I = \frac{1}{1-c} \Delta G$$

With :

- c : The marginal propensity to consume ;
- R : revenue ;
- ΔR : variation of revenue ;
- G : Public expenses;
- ΔG : variation of public expenses ;
- I : Investment;

ΔI : Variation of Investment.

2.1.2. Classic Paradigm

Middle The classical school takes a completely opposite view to the Keynesian approach. The classical approach, on the contrary, advocate the need for a healthy liberal economy of any budget deficit. According to the classical economists, the public deficit is responsible for inflation, higher interest rates and therefore lower investment (Sterdyniak, 1983). This deficit is then prohibited since it generates public debt which is itself a cost for present or future generations, hence the need to remove the tax burden in order to repay the debt that results from this deficit.

Contrary to the Keynesians, the proponents of the classical school do not believe in the benefits of debt on economic activity and consider that the budget deficit is pernicious and should not be encouraged by denouncing public borrowing because it leads to unproductive consumption, destruction of capital, the interests of which are paid by the population. What in reality about the two schools of economic thought relating to budget deficit?

In the cases of the underdeveloped countries, the facts and the reality clearly show that the Keynesian theoretical positions have shown their limits on budget deficit. The deficit on question has continued to have a negative impact on public finances and economic growth in significant proportions, with serious consequences especially on employment and poverty. This situation forced several countries to seek more fiscal consolidation and adjustment, and structural adjustment programs were revealing in this regard in most of the underdeveloped countries, including Morocco.

To be able to fight efficiently against budget deficit, or at least reduce its impact or circumscribe it in reasonable proportions and limits (Question of sustainability) because of its structural nature, it is important to first determine the origins and causes. In this sense, can we say that the budget deficit in Morocco is totally due:

- Bad economic conditions?
- As a direct and cyclical consequence of insufficient public revenue?



- Poor governance of public finances?
- What is the nature of the determinants of the budget deficit in Morocco?

2.2. Origins and causes of budget deficit in Morocco

The budget deficit in Morocco is a function of debt. Already at the end of the 19th century Morocco found itself in a critical debtor situation with regard to certain European countries which had succeeded in imposing their hegemony on it and subsequently the protectorate system.

After independence Morocco began to restructure and rebuild its economy. During the period 1974-1975 there was an increase in the prices of phosphate and moreover, Morocco had achieved an exceptional agricultural harvest. The Moroccan state, benefiting from a surplus of income, has embarked on a program of considerable expenditure: "The volume of public investment was multiplied 3.4 from 1974 to 1977 and a 26% increase in wages was granted to civil servants" (Lahbous, 2014).

After the difficulties of the immediate after Independence marked by a crisis in public finances in 1964 and therefore by an IMF International Monetary Fund (IMF) mission, the excellent agricultural campaign of 1968 opened up prospects and restored all possible hopes. This is how Morocco embarked, from this date, on an ambitious investment program within the framework of the five-year plan 1968-1972. According to Oulhaj (2015) when the producers, notably Arab oil producers, engaged in a political war at the end of 1973 by economic means by increasing their prices vertiginously, Morocco believed to do the same for phosphates by increasing the ton from 16 to 64 dollars. Our country then accelerated the investment effort under the new 1973-1977 five-year plan.

However, the downturn in international economic conditions and the ensuing collapse in phosphate prices, a few months after the rise, led the public authorities to massive external debt, which was moreover facilitated by the excess liquidity situation of international banks. This debt at increasingly exorbitant interest rates soon precipitated our country into insolvency, the consequences of which began to be felt at the end of the 1970s (Oulhaj, 2015).

With a view to re-establishing macroeconomic, budgetary and external balances, Morocco, from 1982-83, adopted the Structural Adjustment Program (PAS) imposed under the leadership of the International Monetary Fund (IMF) and the Bank world. This program targets the drastic drop in public spending, particularly social spending, which has led to many alarming consequences: deterioration of social education and health services and worsening of the unemployment problem among young people.

In a second step, based on structural reforms aimed at liberalizing the economy, particularly privatization, deregulation, and monetary reforms, Morocco was able in some ways to restore the macroeconomic balances that allowed it to maintain a moderate budget deficit until 'in 2011.

However, since 2011, there has been a reversal of the situation described as worrying. Indeed, the deficit in the current account, like the budget deficit and public indebtedness were beginning to take on proportions that exceeded recognized standards. Within this framework of reforms, the budget deficit, becoming structural and far from being cyclical, is an instrument of economic policy of the public authorities. Public spending has thus increased sharply since the early 2000s, reaching 33.9% of GDP in 2013 after reaching the threshold of 36.1% in 2012, and currently far exceeds this percentage, which challenges imperative the question of sustainability.

The consequences of such a situation led to the tightening of fiscal policy between economic and social requirements, economic growth on the one hand and the constraint of sustainability of the budget deficit on the other. Within this framework of policy research on the basis of budgetary balance, the necessary questions relate to the formulation of economic and social policies under the constraint of a certain level of budget deficit. It is a question of knowing to what extent it is possible to meet economic and social requirements while ensuring a certain budgetary balance or, ultimately, a sustainable budgetary deficit. However, the effectiveness of fiscal policy remains conditioned by a certain number of factors, in particular, its ability to adopt a counter-cyclical behavior, to optimally manage the trade-off between revival of activity and debt sustainability at long term.

2.3. Definition, extent and dynamics of the structural balance

Several authors emphasize that theoretically, the evolution of the budgetary balance reflects both economic policy decisions and the impact of cyclical developments. When actual GDP is higher than its potential, a surplus of revenue is recorded with lower expenditure, on the other hand, when the level of GDP is lower than its potential level, a deficit in tax revenue, as well as a surplus of expenses appear.



To better objectively measure the budgetary balance, account must be taken of the structural balance and not the economic balance (the case of Morocco). A budgetary balance that does not depend on economic fluctuations, which takes into account the economic cycle, the conjuncture, as well as exceptional and temporary measures. In other words, the structural balance is an indicator of the real fiscal adjustment made at the level of public finances.

Budgetary balance is meant the difference between public revenue (PR) and public expenditure (PE); ($BB = RP - PE$), three cases are then possible:

- ❖ 1st case: $PR > PE$, this situation corresponds to a surplus balance;
- ❖ 2nd case: $PR = PE$, this equality explains a equitable balance;
- ❖ 3rd case: $PR < PE$, this inequality designates a deficit balance.

In the Moroccan case, we speak of budget deficit of a structural nature as we have mentioned above, in other words public expenditure outweighs public revenue. This situation poses problems in very worrying proportions and which requires more than ever draconian measures to hope to find a certain budgetary balance by taking into consideration the questions of economic growth and social and economic requirements.

On the eve of the Structural Adjustment Program (PAS), the budget deficit stood at 14% of GDP, leading to a massive use of external debt, which ultimately led to a cessation of payment. The recovery in public finances from 1983 to 1992 resulted in a reduction of the deficit from 9.2% to 2.2% of GDP. In the process, even if the structure of the financing of the Treasury deficit was profoundly modified in favor of internal sources of financing, the weight of external debt in the total debt of the Treasury (The General Treasury of the Kingdom of Morocco) remained preponderant (67%), (El Mokri et al. 2015).

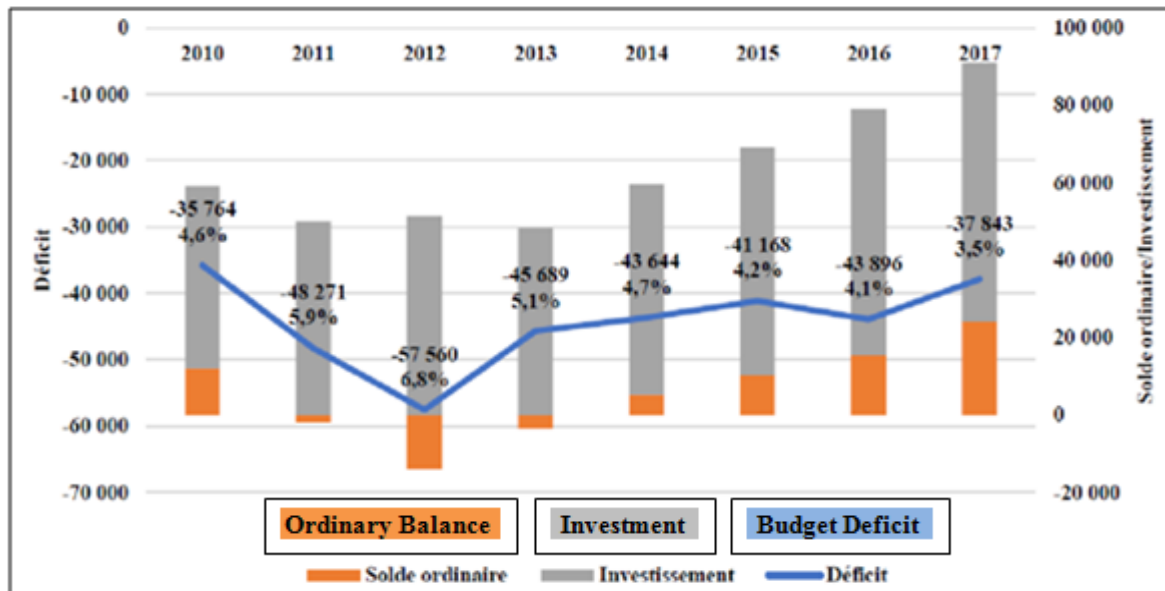
However, between 1993 and 2008, and under the effect of factors (drought, privatization receipts, voluntary departure and fluctuations in the prices of raw materials), public finances generated structural budget deficit which are either mitigated or accentuated. From 2009, it is clear that budget deficits have continued to worsen to the present day, as a result of several complex and even interdependent factors.

Indeed under the effect of the constraints of social and economic requirements, the weakness of national savings, the weakness of investment, the weakness of receipts and the absence of governance at the level of public expenditure, the budget deficit continues to increase and worsen with the problem of external debt. Contrary to expected results, the first attempt at budgetary stabilization in 1978, the debt level and the budget deficit are respectively 60% and 12% of the GDP. The post adjustment period was characterized by the maintenance of macroeconomic balances and by the growth of public spending. Despite the efforts made in this direction, the budget deficit problem has not been resolved due to the persistence of fixed expenses, the capping of the tax burden and the size of the debt.

According to expectations in 2017, public finances should end the year 2018 on a slightly accentuating budget deficit, after a period of rebalancing which made it possible to reduce this deficit by 5.1% of GDP in 2013 to 3.4 % in 2017. To cover this deficit, the State uses external and internal loans. Thus, the overall debt ratio of the treasury would drop from 65.1% of GDP in 2017 to 65.7% in 2018, far exceeding the threshold of 58.1% of GDP recorded during the period 2010-2015. As a result, and taking into account guaranteed external debt, the overall public debt rate should increase further to reach 82.6% of GDP in 2018.

However, the absence of operating conditions and the importance of leaks (Savings, tax and import leaks) in the mechanism of the propagation of income flows greatly limit the scope and effectiveness of the policy of budgetary imbalance and It must be said that in reality the reduction in the budget deficit is largely explained by exceptional revenues than by real consolidation of public finances. What are the peculiarities of this budget deficit? Two most important aspects, namely the instability and regularity of public revenues and the upward and structural trend in public spending, in particular that of operating expenditure.

Figure 1: Evolution of the budget deficit and the contribution of the ordinary balance to the financing of investment expenses (2010-2017 in MDH)



Source: Ministry of Economy and Finance (MEF) 2018

2.4. The unstable and irregular nature of public revenue

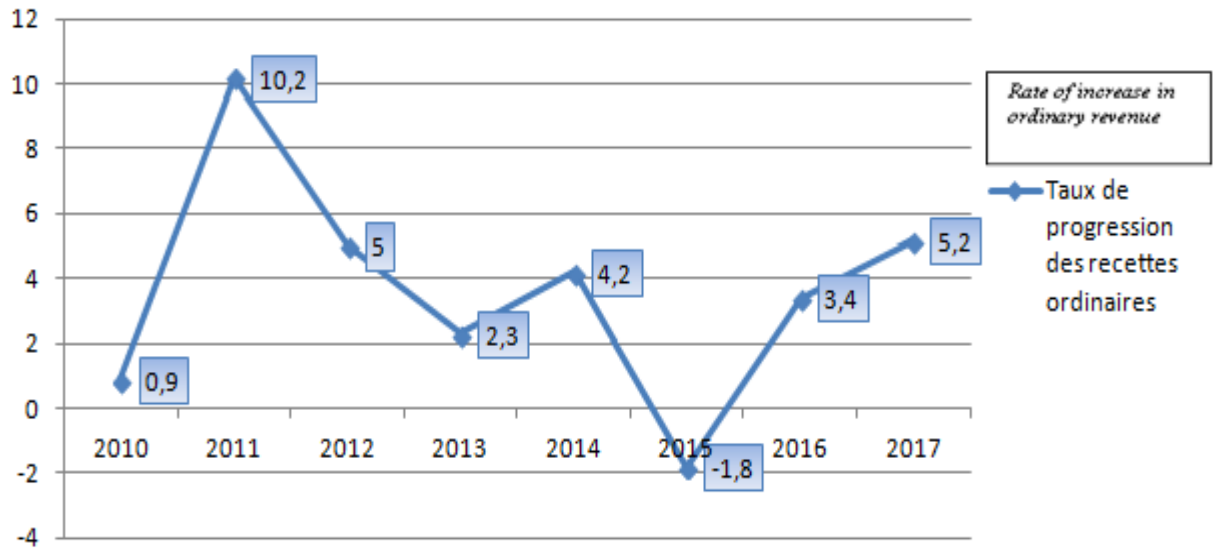
In Morocco, tax policy remains one of the most controversial policies and is constantly the subject of tax reforms without however leading to an optimal allocation of resources. The main features of this policy can be summed up in several points:

- ❖ a stable tax pressure which slightly exceeds the 24% threshold, can allow sustained economic growth, but which remains focused on a very limited number of actors (consumers, employees and a limited number of companies), which actors still protest the impact of this tax on their activity;
- ❖ a tax structure still marked by the primacy of indirect taxes on consumption;
- ❖ low elasticity in relation to GDP and a downward trend in ineffective and inequitable tax expenditure which is cutting back their performance;
- ❖ lack of transparency and social equity;
- ❖ the extent of tax fraud and tax evasion;
- ❖ Rigidities of public finances (problem of recovery, derogatory provisions);
- ❖ the rate of coverage of public expenditure which is deteriorating due in particular to the size of the incompressible state charges, especially the wage bill;
- ❖ a very small contribution to the reduction of regional inequalities

For several decades the tax burden remains without significant change. Indeed, according to official data from the Ministry of Finance and the Economy, the tax pressure was on average for the years 1980 to 1985, from some 19% of GDP, it then rose with the reform to 21.7% between 1987 and 1993 to stabilize at the end of the 1990s at 22%, a rate which remained stable since it was the same at the end of 2004, the date after which they experienced an increase, but which remains insignificant.

Ordinary revenues should therefore be limited to 21% of GDP in 2018, instead of an average of 22.1% between 2013 and 2017. This is mainly the result of the decline in tax revenues which would reach 18.7% of GDP and non-tax revenues, which would continue to evolve on a downward trend to reach 1.9% of GDP in 2018 instead of an average of 2.9% of GDP during the period 2013-2017, (Ministry of Economy and Finance (MEF), 2017).

Figure 2: Rate of increase in ordinary revenue

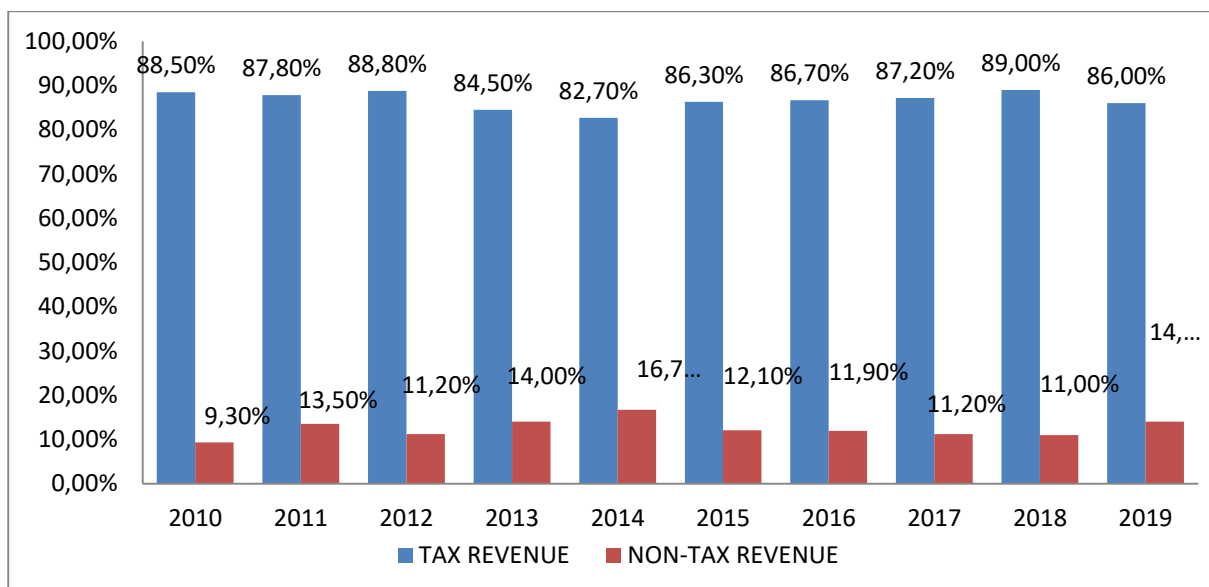


Source: produced by us

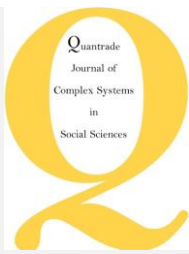
The analysis of Figure 2 clearly shows the trend increase in ordinary revenue between 2010 and 2017, but an increase which remains insignificant and with an irregular rate of development and which has gone through five phases:

- ❖ A 2010-2011 phase which recorded an increase of 9.3%;
- ❖ A phase 2011-2013 which saw a drop from 10.2% in 2011 to 2.3% in 2013;
- ❖ A 2013-2014 phase which recorded a slight increase, from 2.3% to 4.2%;
- ❖ A 2014-2015 phase which recorded a decrease ranging from 4.2% to -1.8%;
- ❖ A 2015-2017 phase which experienced an increase ranging from -1.8% to 5.2%;

Figure 3: Evolution of the share of tax and non-tax revenue in ordinary revenue:



Source: produced by us



The behavior of non-tax revenue remains marked by its erratic nature. It is, in fact, correlated to the economic situation which impacts the products coming from Public Establishments and Enterprises, to exceptional payments linked to assistance funds and to possible privatization operations. They increased by 0.6 point of GDP between the two periods 2000-2007 (2.1% of GDP) and 2008-2016 (2.6% of GDP). They only represented 11.20% in 2017.

Tax revenue stood at 189.6 billion dirhams in 2016, up 4.1% a year earlier, tax revenue increased by 6.1% on average per year. The increase concerned both the return on direct taxes and that of indirect taxes, an average annual rate of 7.6% and 6.2% respectively. They represented 87.20% in 2017 and therefore monopolize the share of far in ordinary revenues.

2.5. Upward and structural trend in public spending

The role of public spending in terms of economic growth is a subject that has always motivated many theoretical studies. As we have previously pointed out with regard to the budget deficit, the conceptual divergence relating to the role of public spending in economic growth is also noticeable in the results of empirical work.

If we consider that a public expenditure can have a lasting influence on the growth rate of the economy. The big question is which way? Positively or negatively? In this context, various studies based on econometric approaches have attempted to assess the contribution of public spending to economic growth. These empirical studies have yielded divergent conclusions:

- according to some authors, the increase in public spending is accompanied by a slowdown in growth. (Landau, 1986; Scully, 1989);
- according to others, there is a positive relationship between public spending and growth (Ram, 1986);
- while some authors claim that there is no significant relationship between public spending and growth (Kormendi and Meguire, 1985; Diamond, 1989);
- If we accept the existence of a positive correlation between public expenditure and economic growth, in other words, if the expenditure multiplier makes it possible to highlight the effects of the variation in expenditure on the national economy . Do these variations have positive effects on production and income and therefore on the economy? Theoretically, budget deficits, arising from the imbalance between expenditure and revenue, must exert these privileged effects on the national economy insofar as they are generated by a variation in the volume of public expenditure not accompanied by a variation in that of revenue (Bouslihim, 2014).

A comparison of the evolution of treasury operations and that of GDP and the calculation of the multiplier allow us to see the impact of this policy on the national economy. Statistical data show that the correlation between the expansion of public spending and the size of budget deficits is indisputable. The link that may exist between the expansion of public spending and the size of the budget deficit on the one hand and the change in GDP on the other is not obvious.

Indeed, the years when the rate of change in GDP was high, did not necessarily correspond to the years which recorded the most rapid expansion of public spending and the large amount of budget deficits. Even if the effect of variation in public spending and deficits is not felt on GDP until a certain delay, no relationship can be found between these variables. Empirical studies have demonstrated the weakness of the public expenditure multiplier, which proves the ineffectiveness of the policy of budget deficits.

Table 1: Evolution of the public expenditure multiplier

Year	68-72	73-77	78-82	83-90	91-2000	2001-2010
Multiplier	1,2	1,05	1,7	1,4	1,5	1,3

Source : Bouslihim, 2014

The obvious question then is to identify the factors limiting the multiplier effect of public spending? Three factors are predominant (Bouslihim, 2014).

❖ The limits linked to economic structures:

The Keynesian model assumes the existence of unused production capacity so that the variation in public spending finds an adequate response from supply to additional demand. However, the Moroccan economy is characterized by the rigidity of the supply which is due to the scarcity of the capital factor, to the degradation of natural resources and to competitiveness. In this case, the policy of the budget deficit produces effects contrary to those of the Keynesian model and the level of production is determined by demand. As a result, the variation in demand

following the existence and worsening of the budget deficit would only result in increased pressure on domestic demand, which can only find solutions in increases in imports and prices.

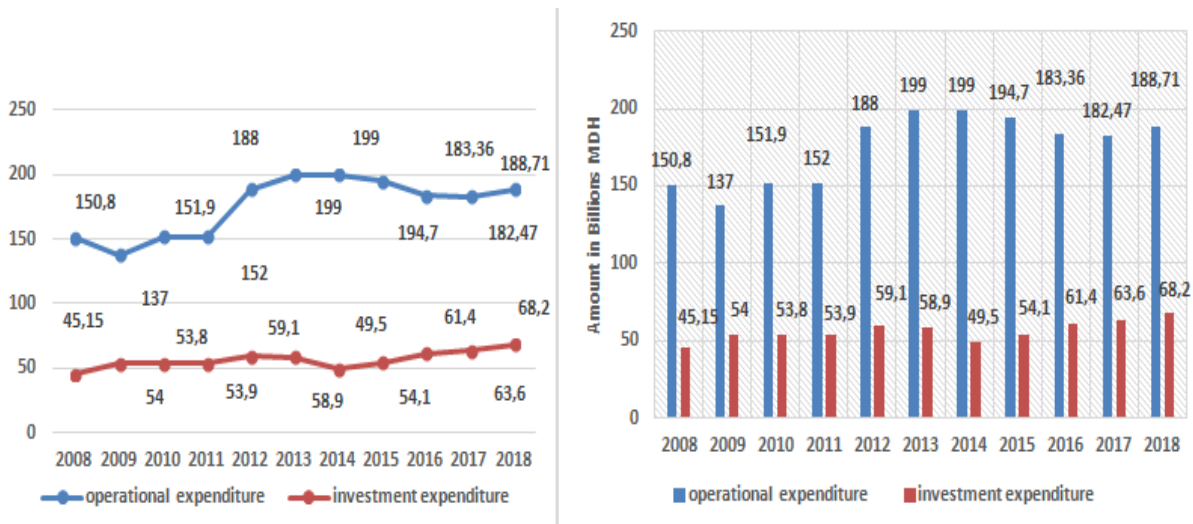
❖ **The limits linked to the extrovert of the economy:**

These limits greatly reduce the expansion of incomes induced by the variation in public spending. The ratio of imports to GDP which gives a precise idea of the degree of dependence of the national system of production over the outside is revealing in this regard. (Haavelmo effect), the greater the marginal propensity to import relative to the marginal propensity to consume, the effect of public spending on income is reduced or canceled out because of the importance of imports. In other words, the fruits of spending on growth are canceled out under the effect imports.

❖ **Limits linked to the structure of public expenditure:**

Certainly, it has been shown that capital spending has a higher multiplier effect than other spending. In Morocco, unfortunately, the structure of expenditure clearly shows the predominance of operating expenditure, the management of which poses a problem of poor governance over investment expenditure (Fig. 4), which hinders the achievement of a level of desirable growth.

Figure 4 : Evolution of public expenditure



Source: produced by us

In order to satisfy social and economic requirements, expenditure has constantly experienced significant increases to the detriment of revenues. Unfortunately, these expenses relate mainly to operating expenses, the impact on growth of which remains very low, to which is added the problem of poor governance (waste, embezzlement). Investment spending, which was to act as a catalyst for growth and development, has not received particular attention from those responsible for economic policy (Bouslihim, 2014).

Spending on Gross Domestic Product in 1990 registered a level of 25.6% of GDP to reach the threshold of 33.2% of GDP in 2014. Despite the effort in terms of investment spending and the progress made, economic performance has remained below levels achieved by similar economies. This problem can be justified by the fact that public spending has several limits which can be summarized in the following points:

- The issues of embezzlement and embezzlement;
- the absence of good governance;
- the irrational use of expenses: Fictitious expenses, oversized expenses

2.6.. The budget deficit between the grip of multiple economic and social requirements, economic growth and the constraint of sustainability

The imperative of economic growth and the search for the satisfaction of economic and social requirements, must be done within the framework of a balanced budget or ultimately a sustainable or tolerable budget deficit to avoid the perverse



effects of public investment spending A budget deficit which wants to be viable must take into account both social and economic requirements, but also its ability to be sustainable (Dione, 2016). The big question that remains is what are the limits of a sustainable budget deficit?

It is a question of knowing to what extent it is possible to satisfy economic and social requirements while ensuring a certain budgetary balance or, ultimately, a sustainable budgetary deficit. However, the effectiveness of fiscal policy remains conditioned by a certain number of factors, in particular, its ability to adopt a counter-cyclical behavior, to optimally manage the trade-off between revival of activity and debt sustainability at long term.

2.7. The budget deficit sustainability issue

The question of budget deficit sustainability remains complex given the absence of a consensual theoretical framework for measurement accepted by everyone, due to the overlapping of several explanatory factors. First of all, it is a question of defining sustainability to define its content.

2.7.1. Sustainability and recovery of budget deficit

Regarding sustainability, a fiscal policy is sustainable if it ultimately ensures the solvency of the State. In other words, the budget deficit will not grow in excessive proportions such that the State can no longer ensure its reimbursement. Thus imbalances are accepted provided that they are not systematic or that they are compensated by future surpluses; In other words, a fiscal policy is sustainable if it ultimately ensures the solvency of the State. So sustainability guarantees a lasting solvency of the State. But this does not mean that the state alone must be solvent, but it also takes into consideration the reaction of the private sector and the outside towards this situation (Lahbous, 2014). thus, several factors argue for a balanced budget deficit or at the limit sustainable so as not to impede economic growth. In this framework of analysis, several following factors can be cited:

- ❖ Excessive debt;
- ❖ The worsening of the deterioration of public finances;
- ❖ The negative impact on economic growth;
- ❖ The worsening of the social situation of the middle and poor classes;
- ❖ The scale of the informal economy;
- ❖ Others such as unemployment and inflation.

In a fiscal policy framework, the two authors Hakkio and Rush (1991) suggest that fiscal sustainability is satisfied if there is a cointegrating relationship between revenue and total public spending. Other authors point out that public finances are sustainable if the debt / GDP ratio converges to an equilibrium position which is determined by the nominal growth rate.

As for the two authors Budina and van Wijnbergen (2007), they proposed a probabilistic prospective assessment of fiscal sustainability and debt by introducing uncertainty. These approaches provide an indication of the budgetary effort required following stochastic simulations to restore fiscal balance.

Adopted by the IMF, the approach of Celasun et al. (2006) offers a probabilistic assessment of debt sustainability through a methodology allowing the risks surrounding the debt dynamics to be taken into account through stochastic simulations covering a wide range of potential shocks.

2.7.2. Prospective analysis of budget deficit sustainability

The prospective analysis of the sustainability of the budget deficit in Morocco as recommended by the various IMF reports, shows that the budget deficit of Morocco is globally weakly sustainable. If we refer to the known phenomenon of snowball Effect, we understand that the amount of deficits increase the need for debt financing, which increases debt charges, which in turn leads to deficits and thus sets in motion the cumulative process of increasing debt charges thereby aggravating the budget deficit.

Approaches based on budget deficit stationarity tests argue in favor of weak fiscal policy sustainability. This is explained by the fact that the Moroccan state has chosen to finance its repeated budget deficits by borrowing. Also, the increase in interest expenditure has led the public authorities to practice a budgetary policy that is difficult to establish the solvency of the State and therefore ensure the sustainability of budget deficit in the long term. Will this trend continue? Perhaps yes, unless there is a miracle, the explanation is based on the following elements (Lahbous, 2014):



- ❖ Budgetary resources, as well as public expenditure and debt in Morocco. Indeed, fiscal resources remain dominant compared to operating revenues and monopolies;
- ❖ With regard to expenditure, operating expenditure monopolizes the lion's share, ahead of investment expenditure due to the weakness of national savings and the limits of external debt;
- ❖ In addition, the structure of the Moroccan economy remains dominated by the primary sector, which means that internal demand remains weak, not allowing the multiplier effect of investment capital in a country linked to both capital and to foreign technology;

Such a situation can only worsen and worsen the problem of budget deficit and consequently hampers growth more and more, whatever the size of the investments. There is therefore a need to reverse the trend and at least restore budgetary balance through a political will displayed and where all stakeholders (State, municipalities, regions, private sector, population, civil society) must be objective. and responsibility for achieving the expected objectives. To do this, draconian measures are needed more than ever. It should be mentioned:

- Need for political will on the part of the State and local authorities;
- Improving tax and non-tax revenues through transparent and fair taxation and combating tax fraud and tax evasion;
- Fight against rigidities in public finances (tax base, derogating provisions and difficulties in collecting taxes);
- Rationalization of expenses, in particular those of operation;
- Good governance and strengthening of the profitability of investment expenditure;

Fight against the rent economy.

3. GENERAL CONCLUSION

The problem of the budget deficit and its sustainability is a complex issue. According to several studies, budget deficit is a reality and a structural phenomenon that hinders economic growth and development in Morocco. The reduction of the budget deficit, improving it or at least reducing its impact on the economy is an imperative that calls on all stakeholders without exception and cannot be the business of the State alone.

Certainly the political will of the State must be clearly displayed in its economic policy aimed at achieving major macroeconomic balances through the strengthening and good governance of investment spending and the rationalization of operating expenditure. However, the other actors in particular, the companies, must assume their responsibility (economy of the rent, tax evasion, tax fraud, etc.). These measures require an effort in the fair distribution of wealth and social equity.

Efforts have been made in this direction, several national and international organizations and institutions have emphasized a slight decrease in the budget deficit in recent years following several measures undertaken by the authorities concerned in the image of better fiscal performance, the good dynamics of ordinary revenue and better control of spending. These efforts will continue this year and in 2021 will notably aim to increase social spending for a more inclusive development model and to institute more rigorous and prudent debt management. In doing so, the budget deficit, supported by the domestic market, fell to 3.6% of GDP in 2019, would reach 3.3% in 2021.

However, despite the efforts made by the public authorities to reduce the impact of the budget deficit, it must be said that these efforts remain below the expectations sought. Indeed, several economic and social indicators such as the continuity of the predominance of operating expenses, the low level of investment expenses, the extent of fraud and tax evasion and the extent and dynamics of public debt, the size of the trade deficit, as well as other factors, have clearly indicated that this political will of the State to find concrete solutions for the budget deficit is far from being realized concretely and in the right direction. In our opinion, the consequence of this situation can only worsen the situation of the budget deficit.

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