



# UNLOCKING THE POTENTIAL OF THE MOROCCAN PRIVATE SECTOR

**EXECUTIVE SUMMARY**

An analysis of  
firm dynamics  
and productivity

Nicolo Dalvit, Javier Díaz-Cassou,  
Amal Idrissi and Hind Kadiri



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# ABBREVIATIONS

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BAM	Morocco Central bank- (Bank Al Maghrib)	MIC	Ministère de l'Industrie et du Commerce
CIT	corporate income tax	NDM	New Development Model
CNSS	Caisse Nationale de Sécurité Sociale (Social Security Fund of Morocco)	OECD	Organisation for Economic Co-operation and Development
DGI	Direction Générale des Impôts (Tax Administration)	OMPIC	Office Marocain de la Propriété Industriale et Commerciale
DH	Moroccan dirham	OMTPME	Moroccan Observatory of Very Small, Small, and Medium Enterprises (Observatoire Marocain de la Très Petite, Petite et Moyenne Entreprise)
ES	enterprise survey	PIT	personal income tax
FDI	Foreign Direct Investment	SME	small or medium-size enterprise
GDP	Gross Domestic Product	TFP	total factor productivity
HGF	high-growth firm	VAT	value added tax
ICT	information and communications technology	VSE	very small enterprise
LLC	limited liability company		
MENA	Middle East and North Africa		
MHGF	medium- or high-growth firm		



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# EXECUTIVE SUMMARY

## Context and Objectives

A more dynamic private sector with enhanced productivity is essential if Morocco is to realize its development ambitions. Before the COVID-19 pandemic, Morocco had enjoyed two decades of economic growth, resulting in notable socioeconomic advancements. However, growth has been decelerating since the 2000s, driven by a productivity slowdown. As a result, the labor market has struggled to generate enough jobs for the expanding workforce, causing a drop in labor force participation rates.

The 2021 New Development Model (NDM) identified solutions to address these challenges and propel Morocco toward more ambitious objectives, including doubling per capita income and significantly increasing the proportion of formal employment by 2035. The NDM recognizes that a more dynamic private sector will have a pivotal role in achieving these targets.

Morocco has implemented a vast array of policy interventions to support private sector-led growth and job creation. Reforms have sought to improve the business environment, by making it easier to create a business, obtain permits, digitalize business procedures, and obtain financing. These policies led to considerable results, fostering the growth of new businesses and encouraging their formalization. However, the structure of the Moroccan private sector remains dominated by micro and

small firms, a small share of large companies, and a large informal sector. Due to lack (until recently) of available microdata, the underlying dynamics of firms, as well as their productivity and performance remain poorly understood. A better understanding of firms' dynamics is critical to inform the design of public policies to accelerate economic growth and job creation in Morocco.

This note exploits the dataset compiled by the Observatory of Very Small, Small, and Medium Enterprises (OMTPME), an institution created by the Central Bank and its partners in 2016. OMTPME collects and harmonizes data from key public administrative sources, based on firms' identifiers and periodic declarations: the tax administration (Direction Générale des Impôts (Tax Administration [DGI])), the social security fund (Caisse Nationale de Sécurité Sociale [CNSS]), the central bank (Bank Al Maghrib [BAM]), the Ministry of Industry and Commerce (Ministère de l'Industrie et du Commerce [MIC]), the Moroccan Office for Industrial and Commercial Property (Office Marocain de la Propriété Industrielle et Commerciale [OMPIC]), and the national agency for the support of SMEs (Maroc PME). The OMTPME dataset covers a panel of roughly 370,000 registered corporate firms, with data from 2012 to 2022. This policy note is the output of the first collaboration between the world Bank and the OMTPME. The analysis focuses on the period from 2016 to 2019, preceding the COVID-19 pandemic

and the subsequent policies introduced to mitigate its impact, which may have produced effects that are challenging to interpret for the years 2020–2022.

## Key Findings

Morocco's firm density has increased significantly in recent years, thanks to a high entry rate and dynamism in business creation combined with an unusually low *de jure* exit rate. The recent evolution of formal firms' density compares favorably with most of its peers, although it is still far from advanced economies. The survival rate after five years is estimated at 53 percent and the official exit rate by deregistration is only 1.2 percent. However, the *de facto* exit rate, which captures firms that do not officially close but remain inactive for at least two years, is also unusually high, at 7.3 percent. This finding suggests that Moroccan entrepreneurs do not face excessive constraints to administratively start a new business but are reluctant to formally close them, opting instead for leaving firms dormant. This could be partly due to inefficient and costly bankruptcy and liquidation procedures.

Most formal firms in Morocco are small and grow slowly with age. Firms with 10 or fewer employees contribute to nearly 86 percent of employment in Morocco, compared with 35 percent on average in countries in the Organisation for Economic Co-operation and Development (OECD). Although firms do grow with age, the average size of all firms that have been in business for no more than 10 years is below 10 employees, and the average size of mature firms (firms that have been in business more than 10 years) is only 26 employees. The average size of firms has tended to decrease, which could be partly explained by the increased formalization of microenterprises, resulting from the implementation of public policies aimed at easing creation procedures and improving the business environment.

The density of high-growth firms (HGFs)—is very low in Morocco, contributing to insufficient job creation and the weak emergence of new large companies. As a result, incumbents are rarely challenged by new entrants. High density of HGFs is

generally indicative of private sector dynamism and innovation. Recent literature shows that economies' net job creation tends to be driven primarily by the dynamism of HGFs, sometimes referred to as gazelles (Goswani, Medvedev, and Olafsen 2019).

The productivity performance of the formal private sector has been lackluster. The firm-level data used in this note suggest that the labor productivity of the Moroccan corporate sector has lagged that of the overall economy. This finding may be partly explained by the authorities' success in gradually formalizing firms that previously operated in the informal sector. While formalization is a positive development, these newly formalized firms may have lower productivity levels than pre-existing formal firms. As a result, their transition to formal status could initially reduce the average productivity of the formal sector. However, this trend also evidences that more is needed to sustain productivity gains in the Moroccan private sector as part of the country's economic growth strategy.

Between 2016 and 2019, Morocco's non-agricultural formal private sector gradually became more services oriented. This trend increased labor productivity. Formal employment in the nonagricultural private sector gradually reallocated toward retail, education, and other services. Although fully assessing the contribution of structural transformation within the formal nonagricultural sector would require an analysis with a longer time horizon, results suggest that the sectoral reallocation of employment made a positive contribution to the productivity growth of the formal nonagricultural sector.

Labor tended to shift toward less productive firms in the years leading to the COVID-19 pandemic, a sign of allocative inefficiencies at the firm level.<sup>1</sup> Between 2016 and 2019, the productivity of the average Moroccan formal firms increased. However, the positive impact of this upgrading on the productive efficiency of the country's businesses was partially

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<sup>1</sup> Firms' dynamics following the pandemic have been heavily influenced by the extraordinary exogenous forces at play since 2020, calling for caution in the interpretation of some of the changing trends observed from then onward. For this reason, much of the analysis presented in this note focuses on the 2016–19 period.

offset by the fact that less productive firms expanded faster (in terms of employment) than more productive firms, raising questions about allocative efficiency. This suggests that Moroccan markets do not allow more productive firms to access production factors efficiently, which could be due to shortcomings in the country's competitive environment.

The allocation of factors appears to be more inefficient in industry than in the services sector. The firm-level dataset suggests that labor productivity declined in the industrial sector, driven by a decline in allocative efficiency, coupled by an insufficient level of upgrading, which could be partly explained by a decline in the average quality of installed physical capital or by insufficient innovation and adoption of new technologies. By contrast, in the services sector, the reallocation of labor toward more productive firms made a modest but positive contribution to labor productivity growth.

The life-cycle dynamics of Moroccan firms point to the presence of significant market distortions. Older Moroccan firms are on average larger even if their productivity is lower than that of younger firms. Pointing in the same direction, larger firms are less productive than their smaller counterparts. Similarly, some indicators suggest that more productive firms are too small relative to their optimal size. This is another sign of allocative inefficiencies, which are likely to constrain the development potential of the Moroccan formal business sector and the growth prospects of the economy.

Despite the comparatively large size of the Moroccan credit market, lack of access to credit by many firms may be contributing to the misallocation problem. Credit is concentrated among larger and older firms, penalizing new entrants and potential market challengers.

## Policy implications and Next steps

Over the long term, productivity is the key determinant of countries' income level. Implementation of policies and regulations should therefore be a priority to foster economic growth and job creation.

The note highlights several important areas for potential interventions to help reach the country's growth objectives:

- Provide conditions for all firms to grow and for the most productive to thrive. Productive Moroccan firms, most of which are small or medium-size enterprises (SMEs), struggle to grow at their full potential and to challenge incumbents. This trend constitutes a disincentive to investment in innovation and competitiveness enhancement, which could hinder growth at the macro level. Policies could help ensure that more productive firms, including smaller and younger business have access to the resources they need to scale up their production. They could also ensure that firm's productivity is rewarded, through an efficient competitive environment.
- Evaluate indirect incentives to firms to remain small. International experiences show that size-based measures can incentivize businesses to remain small or keep part of their activities informal. A review of size-based incentives and their impacts could shed light on such effects in Morocco, especially related to tax regimes or active labor policies and business support.
- Encourage the exit of inactive firms. Too many firms stop operating without formally closing. Public policies should therefore ensure that the high rate of inactivity does not create inefficiencies in the economic environment by ensuring that bankruptcy procedures are efficient and that the legal and administrative procedures to close businesses do not impose an excessive burden on entrepreneurs.
- Morocco has focused on manufacturing-led development since the 2000s, with the emergence of sectors such as automobiles and aeronautics. Data show that aggregate productivity growth is primarily driven by the services sector and that more productive services firms grow more rapidly than less productive ones, possibly suggesting that this sector in Morocco is marked with less market distortions and greater allocative efficiency. Alongside industrial policies, Morocco could further leverage the development the services sector to deliver productivity growth and jobs by leveraging technology and connectivity.

Additional analysis will need to be conducted to inform public policies. The OMT PME database provides an invaluable tool to address key policy-relevant questions on how to overcome identified constraints. During the second phase of their joint analytical engagement, the World Bank and the OMT PME team intend to tackle the following research questions, leveraging the ongoing expansion of variables made accessible to OMT PME by partner administration departments:

- Analyzing the market distortions that are likely to have reduced allocative efficiency, benefiting older and larger firms at the expense of newer more productive ones. They may include shortcomings in the competition framework, obstacles to the entry and exit of firms, and constrained access to key inputs. A more granular sectoral analysis combined with a systematic review of product market regulations could help shed light on these distortions.
- Evaluating whether the structure of the corporate income tax, tax incentives, and other programs of public support for firms have contributed to the productivity performance and dynamics

of Moroccan businesses. This analysis will try to determine whether measures are in place that incentivize businesses to remain small and whether incentives geared toward larger firms favor incumbents at the expense of the renewal of the economic fabric with new, more productive entrants.

- Sharpening the understanding of the characteristics of firms that manage to grow, including size, industry sector, market dynamics, and others. By identifying common patterns and unique attributes that contribute to firms' sustained growth, this analysis will provide insights that can help policy makers revitalize a critical segment of the corporate sector.
- Collecting more detailed information on the type and quality of physical capital used by Moroccan businesses, to understand why the increase in physical capital per employed worker has not translated into more robust productivity growth. This analysis could include a comparative analysis of productivity of firms with domestic or foreign capital.
- Reviewing the factors that explain the asymmetric access to finance for Moroccan firms.





# INTRODUCTION

**A**ccelerating productivity growth is critical if Morocco is to meet its development aspirations. Before the COVID-19 pandemic, the Moroccan economy experienced two decades of uninterrupted expansion, which resulted in a pronounced improvement in socioeconomic indicators. Despite a sustained investment effort of close to 30 percent of GDP, this growth performance weakened over time, however, and was disrupted by a succession of recent shocks. As a result, the country's labor market is not creating jobs on a sufficient scale to absorb a growing labor force, resulting in a significant decline in the labor force participation rate. Increasing the productivity of the private sector will be essential for Morocco to reach its ambitious objectives, which include doubling per capita income levels by 2035, turning private investment into the main engine for growth, and increasing the share of formal jobs to 80 percent while fostering the participation of women in labor markets. To confront this situation, the New Development Model (NDM), announced in 2021, aims to relieve the bottlenecks that have constrained the performance of the Moroccan economy.

Firm-level data analyses are widely used to understand the microeconomic foundations of economic growth and job creation. They allow researchers and policymakers to go beyond aggregated trends and get a more granular understanding of the dynamics that characterize the private sector, as well as the sources of productivity growth. Firm-level datasets can be constructed from

surveys collecting information on various aspects of enterprises, such as their financial, employment, and innovation activities, or from administrative data collected from various sources, such as the tax administration or the central bank. They can differ in terms of their coverage, with surveys focusing on a sample of representative firms, whereas administrative databases allow for near completeness of business, with a level of granularity that provides more precise and detailed information. In Morocco, most analyses have until recently relied on surveys, including the World Bank's Enterprise Survey, because of the absence of a publicly available consolidation of administrative data.

The Observatory of Very Small, Small, and Medium Enterprises (OMTPME) has been gathering administrative data from various sources since 2017. These sources—which include Bank Al-Maghrib (BKAM), the Direction Générale des Impôts (DGI [the Tax Authority]), the Caisse Nationale de Sécurité Sociale (Social Security Fund of Morocco), the Office Marocain de la Propriété Industrielle et Commerciale (OMPIC [Business Registry]) and the Ministry of Industry and Trade (MIC)—cover the universe of formal incorporated firms (*personnes morales*) that have either filed a tax declaration to the DGI, declared at least one employee to the CNSS, or filed a statement to OMPIC. The database contains data spanning from 2012 to the present. The total population of active firms is roughly 260,000; as of 2018, the OMTPME data used for the analysis in this

report covered 80 percent of total formal private sector employment, according to the 2018 Morocco Labor Force Survey (total formal private sector employment from Acevedo and others 2023). Although not fully representative of the economy given the large size of the informal sector, formal incorporated businesses have the highest potential to drive long-term growth and job creation, justifying the focus of this analysis. The OMPME database is an invaluable policy-relevant tool to inform the design of reforms that could help improve the performance of the private sector and thus of the broader economy.

This note presents the results of the first stage of an analytical collaboration between the OMPME and the World Bank based on microdata on enterprises. It focuses on the demography of Moroccan formal businesses, estimates productivity at the firm level, and applies various techniques to shed light on its drivers over time. To the extent possible, it relies on

international benchmarking to compare Morocco's private sector with relevant peers. It also proposes additional analytical exercises, to be conducted in the second stage of the collaboration between the OMPME and the World Bank, which are aimed at sharpening the policy implications that can be derived from the microdata.

This note is organized as follows. It first presents aggregate productivity trends and discusses the insufficient contribution of productivity to long-term economic growth in Morocco. Then, it analyzes the recent dynamics of the formal private sector, which is characterized by a preponderance of small firms that exhibit limited capacity to grow. Thirdly, it provides an analysis of productivity at the firm level, emphasizing the misallocations problems that appear to characterize the Moroccan corporate sector. The final section summarizes the note's main conclusions and proposes directions for future research.

# MACROECONOMIC CONTEXT AND AGGREGATE TRENDS

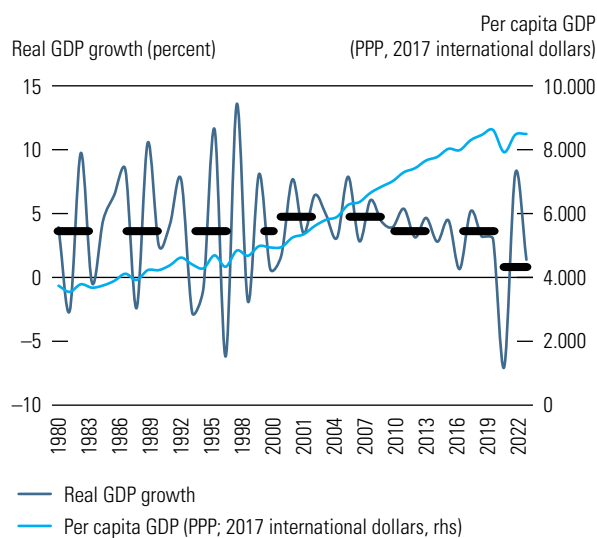
**R**eforms implemented in Morocco around the turn of the 21st century paved the way for 20 years of economic expansion, following decades of erratic growth. Macroeconomic stabilization, a public sector-led investment effort, the liberalization of international trade, and other structural reforms that began in the 1990s were followed by two decades of uninterrupted economic expansion (1998–2019) and a substantial acceleration of economic growth, from an average of 3.6 percent between 1980 and 1999 to 4.8 percent between 2000 and 2009 (figure 2.1). This growth spurt allowed the country to increase real per capita GDP in purchasing power parity (PPP) terms by more than 70 percent between 2000 and 2019, reduce poverty to one third its 2000 level, reduce illiteracy and improve health outcomes, and expand access to key infrastructure services, such as water and electricity.

The impact of these reforms gradually faded: Average real GDP growth fell back to 3.5 percent between 2010 and 2019 and to just 1.1 percent since 2020. The weakening growth performance was partly the result of exogenous shocks, including

the global financial and eurozone debt crises, the COVID-19 pandemic, and a succession of droughts. But it also reflects the increasingly apparent structural limitations of the development model adopted since the early 2000s, as suggested by recent World Bank estimates on potential growth, which show a decline from an average of 4.8 percent between 2000 and 2010 to 3.7 percent between 2011 and 2021, below the 4.0 percent average for emerging markets and developing economies (Kose and Ohnsorge 2023).

Morocco's growth has been insufficient to absorb a rapidly expanding working-age population and attain higher income levels. Between 2001 and 2019, the Moroccan economy created on average 112,000 jobs per year, while the working-age population grew by 374,000, leaving a shortfall of more than 260,000 jobs per year (Acevedo and others 2021). As a result, inactivity and unemployment have increased, particularly for youth and women. Morocco's per capita income growth outperformed that of the Middle East and North Africa (MENA) region and of advanced economies since the early 2000s, but it fell short of the average for middle-income

**FIGURE 2.1 • GDP growth and per capita income, 1980-2022.**



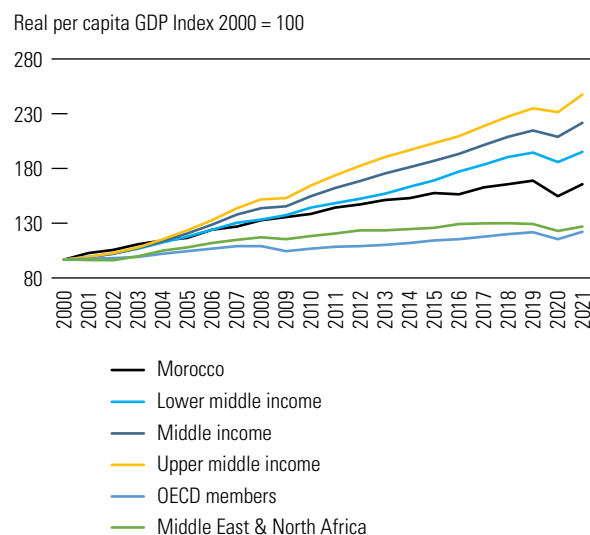
Source: World Bank staff calculations based on data from IMF World Economic Outlook.

economies (see figure 2.2).<sup>2</sup> In fact, the deceleration of growth observed since the early 2010s has increased the divergence between the income levels of Morocco and the upper-middle-income country by 8.5 percentage points during this period. As a result, per capita Gross National Income (GNI) is still 22 percent below the lower bound for upper-middle-income economies.

Capital accumulation, primarily from the public sector, powered most of Morocco’s growth; total factor productivity (TFP) gains have been modest. More than two-thirds of the GDP expansion of the past two decades is explained by fixed capital accumulation, reflecting a large and sustained investment effort led by the public sector that resulted in improvement in the quality of infrastructure (figure 2.3). Indeed, investment averaged close to 30 percent of GDP, which compares favorably with most emerging and

<sup>2</sup> In 2022, Morocco’s per capita income was 13.1 percent higher than that the average for lower-middle-income countries but 34.2 percent lower than the average of upper-middle-income countries, 51.8 percent lower than the average of the MENA region, and 82.5 percent lower than the average of OECD countries.

**FIGURE 2.2 • Index of real per capita GDP, 2000-21.**



Source: World Bank staff calculations based on data from World Bank World Development Indicators.

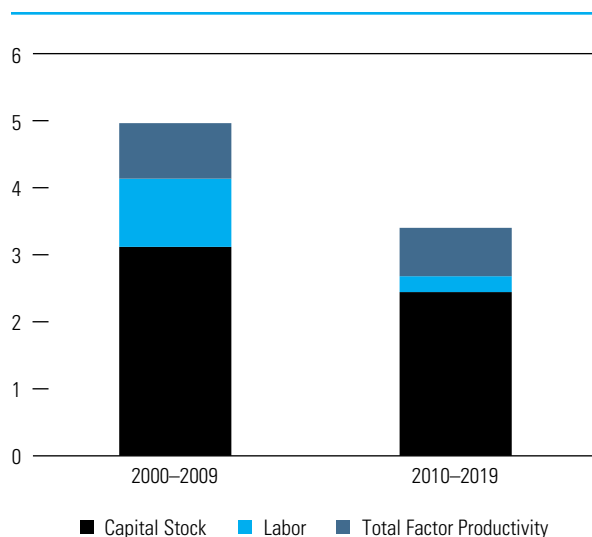
Note: Index is based on purchasing power parity, in 2017 constant dollars.

developing economies, with a few exceptions in Asia. TFP added on average 0.7 percentage points of growth per year, a contribution that declined between the first and second decades of the century (figure 2.4). This is a fifth of the contribution that capital accumulation made to GDP growth during this period.

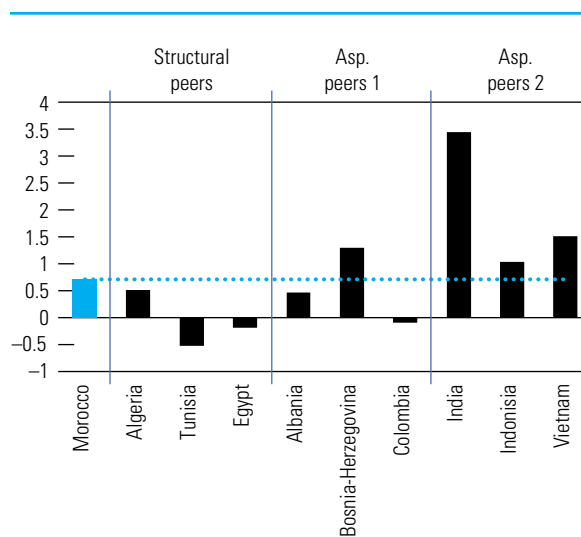
The contribution of TFP to economic growth has been lower in Morocco than in other countries that recently doubled per capita income in a length of time comparable to that envisaged by the National Development Model (NDM).<sup>3</sup> This note compares Morocco with three structural peers in North Africa (Algeria, Egypt, and Tunisia) and with two categories of aspirational peers selected on the basis of the NDM objectives. Albania, Bosnia and Herzegovina, and Colombia str upper-middle-income economies that have a level of per capita income that is twice that of Morocco (the target of the NDM); India, Indonesia and Viet Nam are high-growth economies that doubled

<sup>3</sup> The NDM was launched in 2021, with a 2035 horizon. Its flagship target is to double per capita income levels in 15 years. Such an ambitious improvement of living standards would require GDP to expand by more than 7 percent annually.

**FIGURE 2.3 • Growth accounting, average contribution in 2000-19.**



**FIGURE 2.4 • Contribution of total factor productivity to growth in 2010-19.**



Source: World Bank staff calculations based on data from World Bank World Development Indicators.

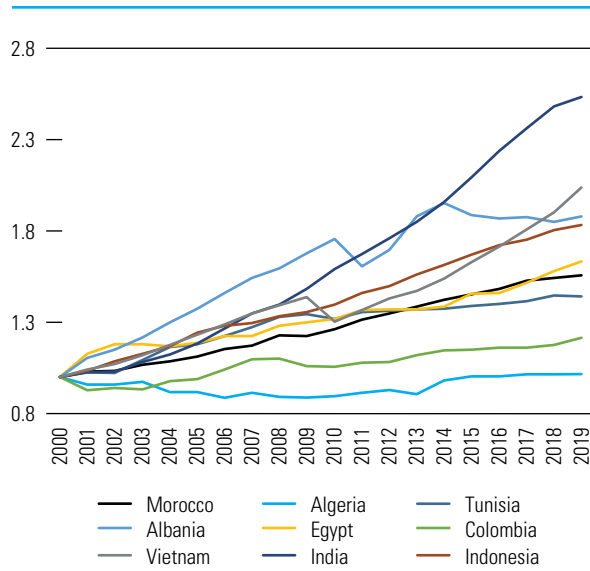
their per capita income levels in the 21st century and sustained an investment effort comparable to that of Morocco as a share of GDP. Between 2010 and 2019, the contribution of TFP to growth was higher in Morocco than in all three structural peers and in the first group of aspirational peers excluding Bosnia and Herzegovina (figure 2.4). However, it was substantially lower than in all three countries included in the second group of aspirational peers (3.5 percentage points in India, 1.5 percentage points in Viet Nam, and 1.1 percentage points in Indonesia), suggesting that increasing TFP growth is crucial to putting Morocco on a trajectory consistent with the NDM objectives. A key question is whether the Moroccan private sector is facing specific constraints that are impeding the productivity gains potentially associated with the capital stock accumulated in the country from materializing.

Labor productivity in Morocco has increased significantly since the turn of the century, but the increase was not as great as in Morocco's high-growth aspirational peers. Total value-added per worker increased by 55.7 percent between 2000 and 2019, which compares favorably with North African peers except for Egypt (figure 2.5). The only upper-middle income country included in the first group of

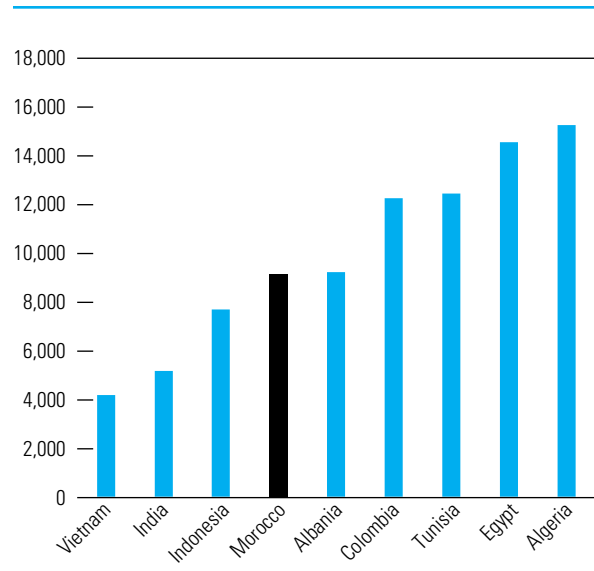
aspirational peers that outperformed Morocco in terms of productivity growth during this period is Albania. The three high-growth peers registered a much faster increase in labor productivity between 2000 and 2019: 153.3 percent in India, 103.8 percent in Viet Nam, and 83.3 percent in Indonesia. Current levels of productivity remain higher in Morocco than in these three countries, but the country still has a substantial productivity gap with the other structural and aspirational peers (figure 2.6).

The cumulative productivity growth of the agricultural sector was twice as high as that of the total economy between 2000 and 2019 (figure 2.7). Labor productivity growth in nonagricultural sectors exhibits a persistent slowdown since 2008, which was particularly pronounced for the manufacturing sector. However, in 2019, value added per worker remained 3.5 times higher in nonagricultural sectors than in agriculture (11,761 versus 3,379, measured in constant 2015 dollars). Of all the structural and aspirational peers used in this exercise, only two countries (Algeria and Colombia) had slower nonagricultural labor productivity growth than Morocco. In Viet Nam, the cumulative growth of nonagricultural labor productivity was twice as high as that of Morocco; India, it was nearly three times as high (figure 2.8).

**FIGURE 2.5 • Index of value added per worker (2000 = 1, constant 2015 dollars).**

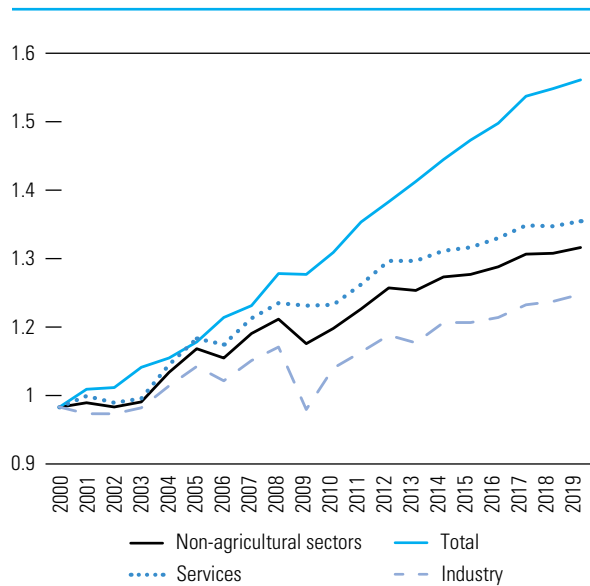


**FIGURE 2.6 • Value added per worker in 2019 (constant 2015 dollars).**

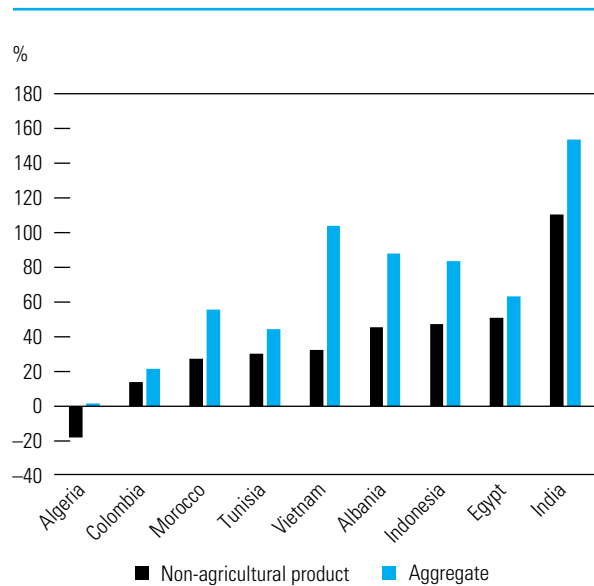


Source: World Bank staff calculations based on data from World Bank World Development Indicators.

**FIGURE 2.7 • Index of growth of labor productivity, nonagricultural sectors versus total (2000 = 1).**



**FIGURE 2.8 • Growth of labor productivity in nonagricultural sectors versus total (cumulative growth rate 2000-19).**



Source: World Bank staff calculations based on data from World Bank World Development Indicators.

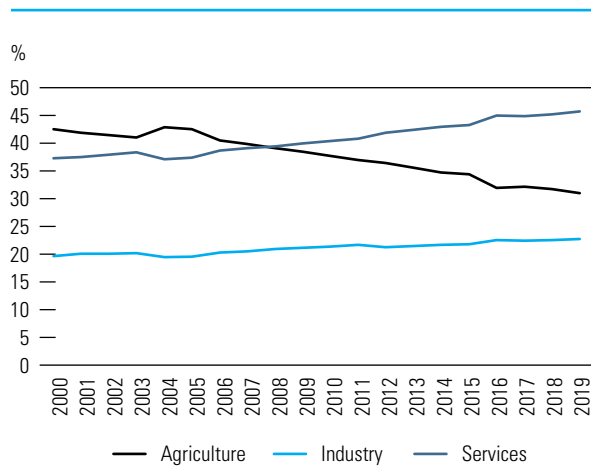
The structural transformation of the economy is having a limited contribution to aggregate productivity growth. Between 2000 and 2019, the share of Moroccan workers declined 11.5 percentage points in agriculture, increased 3.0 percentage points in industry, and rose 8.4 percentage points in services (figure 2.9). Despite the decline in agriculture’s share, it remains high, at 31.5 percent, a larger share than in any of the comparator countries except India and Albania. This sectoral reallocation of workers increased labor productivity by 18.4 percent between 2000 and 2019 and within-sector productivity by 37.3 percent. The contribution of labor’s sectoral reallocation to total productivity growth was lower in Morocco than in all three high-growth aspirational peers but higher than in structural and upper-middle-income country aspirational peers (figure 2.10). This finding suggests that there is room to further accelerate the structural transformation of the Moroccan economy and increase its contribution to productivity and economic growth.

In sum, the macroeconomic analysis presented in this section suggests that productivity remains a major constraint to achieving the objectives of the

NDM and increasing income levels. The contribution of total factor productivity (TFP) to economic growth was lower in Morocco than in other countries that engaged in comparable sustained investment efforts, and it declined over time. Labor productivity growth was also lower than in high-growth aspirational peers, especially in nonagricultural sectors. The contribution of structural transformation (sectoral reallocation away from agriculture) to productivity growth was significant, but it lagged that of countries that doubled their per capital income in a period of time comparable to that envisaged by the NDM.

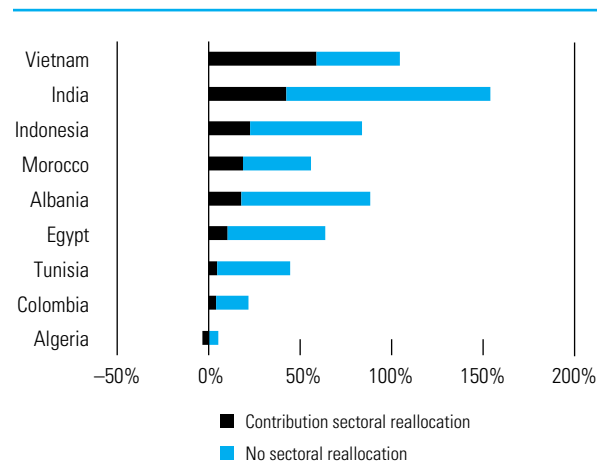
The ability of a country’s business sector to operate efficiently, to access the inputs it needs, and face enough incentives to invest in efficiency is a key driver of productivity. Any constraint that prevents (or disincentivizes) businesses from becoming more efficient or that prevents markets from allocating resources efficiently will prevent an economy from achieving its full productivity and growth potential. Studying the dynamics of a country’s businesses can provide insights on the constraints holding back the business sector (box 2.1).

**FIGURE 2.9 • Employment share by broad sector.**



Source: World Bank staff calculations based on data from World Bank World Development Indicators.

**FIGURE 2.10 • Contribution of sectoral reallocation to labor productivity growth in 2000-19.**



## BOX 2.1 • WHAT DO RECENT WORLD BANK REPORTS SHOW ABOUT THE RELATIONSHIP BETWEEN FIRM-LEVEL DYNAMICS AND AGGREGATE PRODUCTIVITY AND GROWTH?

Two recent World Bank reports highlight the importance of studying firm-level dynamics to understand the constraints to aggregate growth. The *Investment Climate Assessment (ICA) 2.0 report* (forthcoming) provides a framework for assessing the contribution of investment climate policies and other private sector development policies on aggregate growth. It highlights the importance of addressing constraints affecting the ability of firms to invest in productive efficiency and the ability of markets to reward the most productive firms. Building on previous work by the World Bank (Cusolito and Maloney 2018), the report organizes the analysis of these constraints around four areas:

- *Constraints limiting the entry of productive new firms:* Promoting the entry of new productive and innovative firms is a key channel for increasing the productivity of the business sector. Policies could improve business registration procedures, open competitive markets to new businesses, and ensure that incumbent firms do not enjoy competitive advantages over new entrants.
- *Constraints limiting the growth of the most productive firms:* Ensuring that markets can allocate productive resources (and market shares) to the most productive firms is key to increasing the aggregate productivity of an economy. Policies could promote a sound competitive environment, ensuring that no firm enjoys special treatment or special access to input and that all firms competing in the market are competing on a level playing field.
- *Constraints limiting the upgrading and efficiency of incumbent firms:* To sustain productivity growth, existing firms must upgrade their production processes and become more efficient. Policies could ensure that firms have access to the inputs needed to make these investments—by, for example, developing a robust financial sector, investing in labor force skill development, and ensuring that firms can import technological advanced capital goods—and that they face the right incentives to do so.
- *Constraints limiting the exit of unproductive firms:* Promoting aggregate productivity growth requires that unproductive incumbent firms face a credible threat of exit, that they either upgrade or exit, in order to make room for more competitive new firms. Policies could ensure that deregistration, insolvency, and bankruptcy procedures are efficient.

The *2024 World Development Report (WDR)* (World Bank forthcoming c) stresses the important role that a dynamic business sector plays in increasing the growth prospects of middle-income economies. The report argues that promoting business dynamism by ensuring that new productive firms are created, old unproductive firms exit, and market leaders are constantly challenged by market contenders are essential factors for the development of a productive and (gradually) technologically advanced business sector. Creating such a sector is needed if middle-income economies are to close their income gap with high-income economies.



# BUSINESS SECTOR DYNAMICS AND PRODUCTIVITY

**T**his section uses formal firm-level data to shed light on the constraints to the development of a productive business sector in Morocco, a key driver of the disappointing aggregate productivity performance of the nation's economy.

## Formal Firms in Morocco

Small enterprises dominate Morocco's productive fabric. As of 2021, Morocco counted 370 thousand formal enterprises.<sup>4</sup> Microenterprises with revenue of up to DH 1 million represented 78.8 percent of all firms in Morocco; 9.2 percent of firms had revenues of DH 1–DH 3 million. Medium-size firms (firms with annual revenues of DH 50–DH 175) accounted for 0.9 percent and large enterprises (firms with

revenues of more than DH 175) for just 0.4 percent of all firms.<sup>5</sup> Similar results are observed when company size is assessed in terms of employment: 81.6% of companies (highlighted in yellow in table 3.1) employ fewer than 10 employees, and only 4.9% of companies have more than 50 employees (highlighted in green).

Formal firms tend to be concentrated both sectorally and geographically. Half of all firms included in the OMT PME database are in retail and construction concentrate 50 (figure 3.1). Three agglomerations host more than half percent of all firms: Casablanca-Settat (35.5 percent), Rabat-Kenitra (14.0 percent), and Tanger-Tetouan (11.0 percent).

The participation of Moroccan women in the creation of new businesses is weak (box 3.1). International evidence has shown that firms led by

<sup>4</sup> Formal enterprises here refers to enterprises (*personnes morale*) registered as limited liability companies or similar. It excludes self-entrepreneurs and regulated/licensed businesses denominated as *personnes physiques* in Morocco.

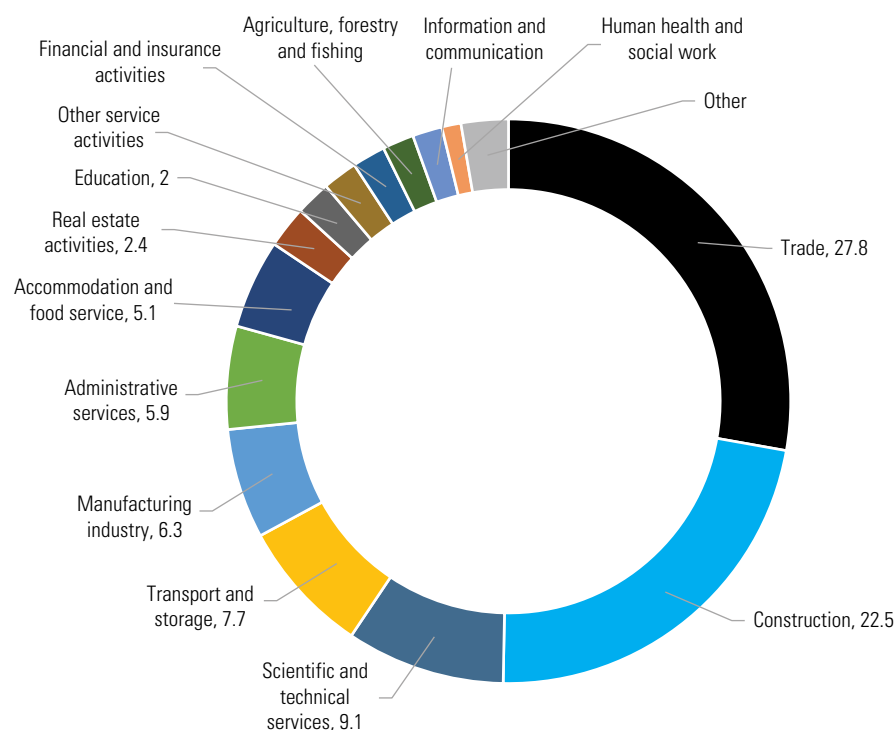
<sup>5</sup> This distribution was confirmed by the results of the HCP's [Haut Commissariat au Plan] national business survey (2019,) which finds that 93 percent of all firms in Morocco are micro and small and medium-size enterprises (MSMEs), of which 64 percent are very small enterprises and 29 percent are SMEs.

**TABLE 3.1 • Distribution of average workforce by firm age groups (percent).**

	0–1	2–5	6–10	11–15	16–25	26–35	36–50	51–75	76–100	101–250	> 250
Age Brackets											
[0, 4]	16.2	18.9	4.3	1.4	1.0	0.4	0.4	0.3	0.1	0.3	0.1
[5, 9]	6.1	10.7	3.5	1.3	1.1	0.5	0.4	0.3	0.1	0.3	0.2
> 9	5.0	11.6	5.3	2.3	2.3	1.2	1.0	0.9	0.5	1.0	0.7

Source: Data from the OMT PME.

**FIGURE 3.1 • Distribution of firms by sector, 2021.**



Source: OMT PME Annual Report 2023.

women are more likely to employ other women,<sup>6</sup> implying that the weakness of this segment of the formal corporate sector could be partly to blame for the low and declining rate of Female Labor Force Participation observed in Morocco: at 19 percent in 2023 according to HCP, it is amongst the lowest in the world (World Bank 2023).

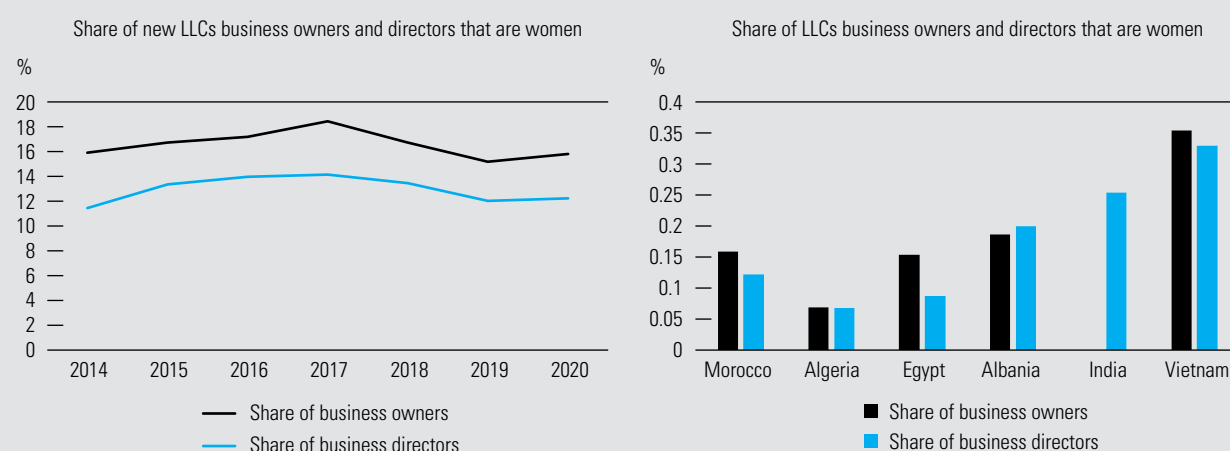
<sup>6</sup> For instance, Nasr (2020) finds that women-owned Egyptian firms were 16 percent more likely to employ women than other firms.

The next few subsections provide a first assessment of the dynamics observed in Morocco’s formal corporate sector. It begins with an analysis of businesses’ rates of entry to and exit from markets, which have fueled a significant increase in firms’ density. However, that indicator may be biased due to high number of inactive firms, which suspend operations while not formally dissolving. It then goes on to discuss observed growth patterns of firms, which have resulted in the predominance of micro and very small enterprises. Finally, it will analyze the role of

### BOX 3.1 • WOMEN ENTREPRENEURSHIP IN MOROCCO.

Few women own or manage incorporated businesses in Morocco, suggesting that formal and/or informal constraints to women entrepreneurship continue to limit their economic empowerment. According to the Enterprise Survey, as of 2019, only 15.3 percent of the owners of newly registered LLCs in Morocco were women, while only 12.1 percent of LLCs directors were women in the same year. This is broadly aligned with OMT PME statistics, which show that as of 2021 the share of firms led by a women ranged between 10.7 percent for small firms to 16.7 percent for microenterprises, with an overall rate of 16.2 percent of female entrepreneurs (OMTPME 2023). These numbers are below the level observed in Morocco’s aspirational peers and show that more needs to be done to promote entrepreneurship and economic opportunities among women. Besides their clear inclusivity and gender-equality importance, policies that go in this direction can have broader positive effects on the development of the Moroccan private sector. Indeed, freeing up the entrepreneurship potential of half of the Moroccan population can go a long way in stimulating the creation of better businesses, increasing competition in local markets, and helping to challenge inefficient incumbents.

**BOX FIGURE 3.1.1 • Few women own or manage LLCs in Morocco.**



Source: World Bank Entrepreneurship Database. Results are based on formal limited liability companies (LLCs). A business owner is an individual that owns at least one share of a newly registered LLC. A business director is an individual who conducts the affairs of a LLC registered in the calendar year.

The World Bank Women, Business, and the Law (WBL) policy database shows that there is room to promote women entrepreneurship by amending existing gender-biased regulations.<sup>7</sup> Although the WBL regulatory reviews shows that no law directly discriminates against women opening and operating businesses in Morocco, there remain regulations that can limit women’s chances to own enough assets to set up a new business and guarantee new loans needed to kickstart its activities. Women continue not to have equal rights to inherit assets—including the ownership of existing businesses - from their parents and spouses.

high growth firms, which are shown to have a limited density and footprint in the Moroccan economy.

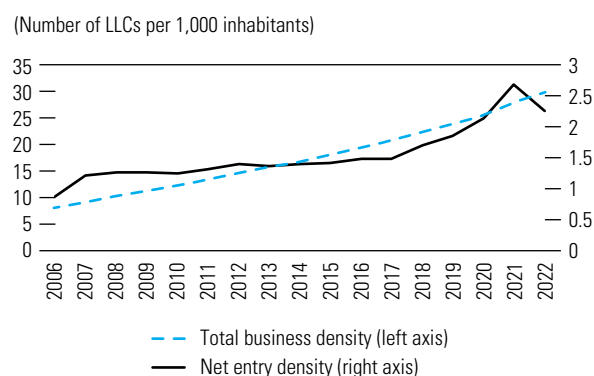
#### Business density: entry and exit dynamics

The density of formal firms (relative to population) has increased considerably in Morocco and compares

favorably with most peers. The net number of LLCs has expanded at a healthy rate since 2006, leading to a fourfold increase in firm density during this period (figure 3.2). With 29.7 Limited Liability Companies (LLCs) per thousand inhabitants, Morocco’s business density surpasses that of most considered peers (figure 3.3, panel a). However, this indicator of firms’ density is four to five times larger in advanced economies such as Spain and Portugal. When focusing on the density of new firms, Morocco also outperforms all peers except for Spain and Portugal (figure 3.3, panel b).

<sup>7</sup> <https://wbl.worldbank.org/en/data/exploreconomies/morocco/2023>.

**FIGURE 3.2 • Business density, 2006-22.**



Source: World Bank Entrepreneurship Database.

Note: Results are based on formal limited liability companies (LLCs). Density is defined as the number of LLCs divided by the number of individuals in the working-age population (15–64).

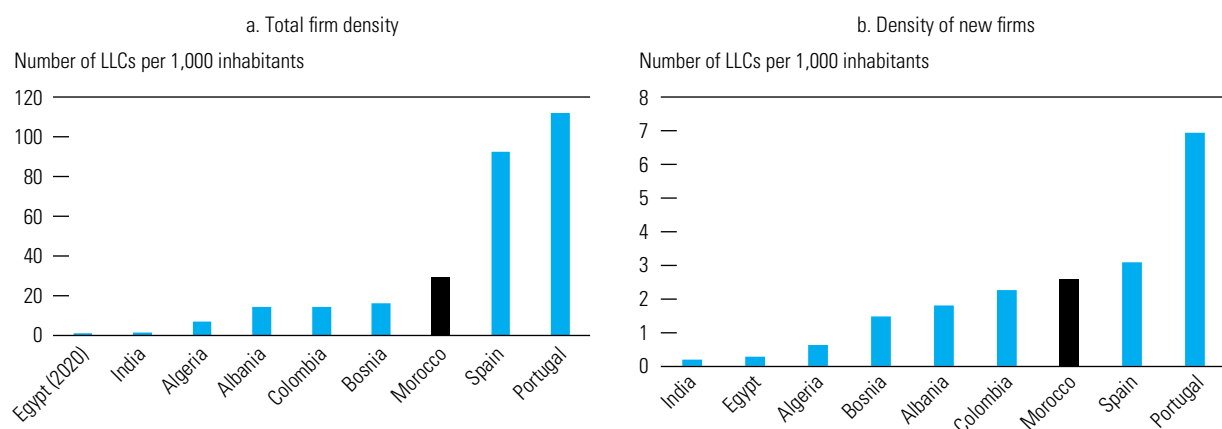
The density of formal firms has been supported by a strong expansion of business entry. The number of Moroccan firms in the formal private sector rose from 245,000 in 2017 to 317,000 in 2021, an increase of 30 percent. This dynamic was driven by the number of new business openings, which has increased since 2017, from 79,000 to 105,000 in 2021, a trend that may reflect the efforts made by the authorities to promote entrepreneurship and private initiatives through various financial and technical support programs for project leaders.

A markedly low *de jure* exit rate is another central factor in the recent increase in firms' density, but many firms become inactive without officially closing. To a large extent, the increase in density is explained by a low (administrative) exit rate, with only 1.2 percent of registered firms formally deregistering in 2019 (figure 3.4, panel a), even though 7.9 percent of formal incorporated firms that were operating in 2018 stopped operating in 2019 (but did not formally close their activity). Almost 80 percent of these firms were still not operating in 2020. Accounting for these effective closures, the *de facto* exit rate—the share of firms not operating for at least two consecutive years—was 7.3 percent. The large difference between the *de jure* and *de facto* exit rates in Morocco suggests that an important part of the rising business density rate observed in the country is an increase in inactivity rather than an increase in the density of firms effectively operating in the economy. The increase in density should thus be interpreted with caution.

Unviable Moroccan businesses may have limited incentives to formally close or are able to do so even when they effectively cease to operate. Despite some significant progress on the legal front, Morocco still lacks a smooth process to minimize the costs associated with the exit of firms, and some of its regulations seem to enable inefficient businesses to linger (box 3.2).

The survival rate of firms decreases significantly during the first five years of activity, from 86 percent after one year to 72 percent after three years and

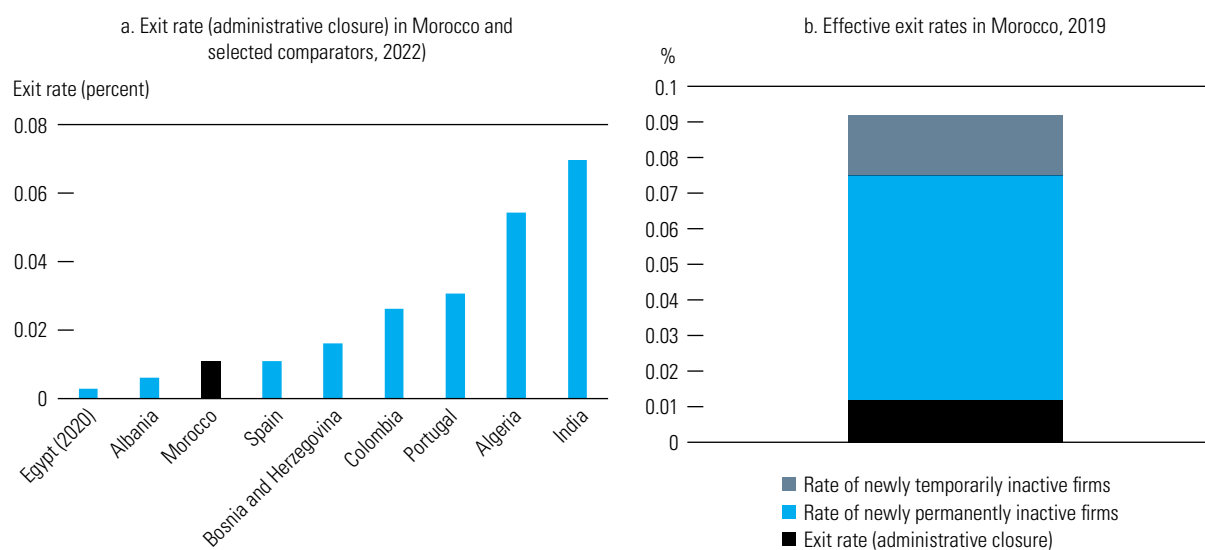
**FIGURE 3.3 • Firm density in Morocco and selected comparative countries, 2022.**



Source: World Bank Entrepreneurship Database.

Note: Results are based on formal limited liability companies (LLCs). D is defined as the number of LLCs divided by the number of individuals in the working-age population (15–64).

FIGURE 3.4 • Exit rate of formal firms in Morocco.



Source: Staff calculations based on World Bank Entrepreneurship Database and OMPME data.

Note: Results from OMPME are for formal incorporated firms and results from the World Bank Entrepreneurship Database are for formal limited liability companies (LLCs). A firm is defined as inactive if it was present in the data at time  $T - 1$  but did not file any declaration to the DGI, the CNSS, or OMPIC at time  $T$ . A firm is considered to become permanently inactive at time  $T$  if it is active at time  $T - 1$  and inactive at time  $T$  and  $T + 1$ .

### BOX 3.2 • BUSINESS EXIT REGULATIONS AND PROCEEDINGS IN MOROCCO.

Morocco's insolvency framework is broadly aligned with international best practices, according to the last available edition of the Global Competitiveness ranking of the World Economic Forum (WEF), ranking 26th out of 141 countries (Morocco's overall ranking in WEF's competitiveness report is 75th). This ranking compares favorably with structural peers and the high-growth aspirational peers for which this indicator is available (India and Indonesia); Albania and Bosnia and Herzegovina's insolvency regulatory frameworks are deemed stronger. In principle, the legislative framework allows for relatively simple and short procedures for the rehabilitation of viable firms and the exit of unviable firms, cases which the High Judicial Council (CSPJ) aims to resolve in just 15 days.

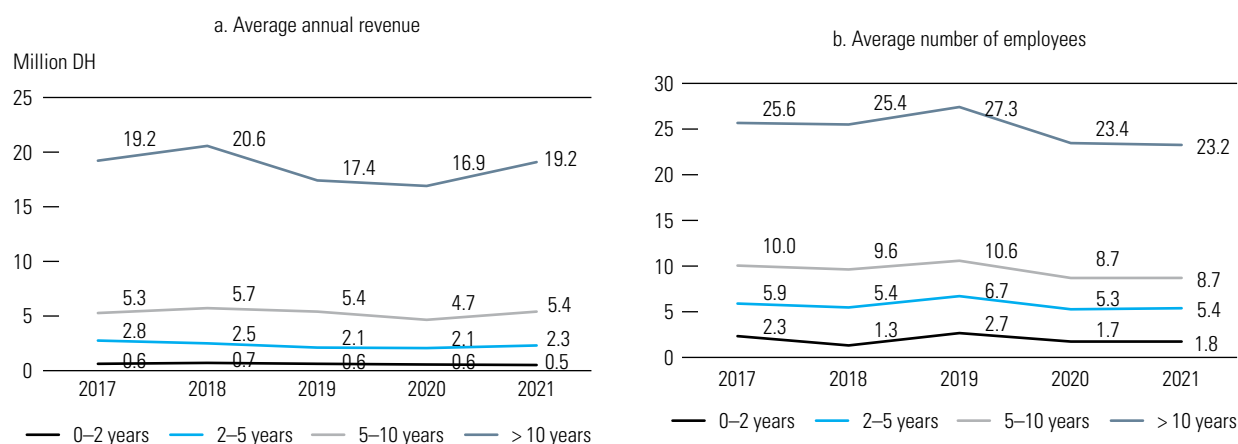
In practice, however, judicial processes reduce the system's effectiveness, increasing costs and generating uncertainty. Too few specialists are trained to restructure companies within the framework of an amicable process, which is critical to smoothen the process, and too few judges specialize in troubled firms and insolvencies.

An indicator commonly used to capture the performance of insolvency frameworks is the recovery rate, defined as the share of debt creditors through reorganization, liquidation, and debt enforcement proceedings. According to the World Economic Forum, Morocco's insolvency recovery rate stands at \$0.285 on the dollar (94th out of 141 countries), surpassing only India and Egypt among considered peers. This rate is less than half the insolvency recovery rate of Colombia (\$0.672) and Indonesia (\$0.652).

Since 2018, Morocco has allowed firms to enter "inactive" status (*cessation temporaire d'activité*) for up to two years if they have no revenues to declare in a given fiscal year. This process was designed to provide relief to firms going through hardship, exempting them from the minimal tax duty they would have otherwise been subject to while they transition to a healthier financial situation. This regulation may partly explain the increase in the number of inactive firms in Morocco.

The authorities recently adopted measures to confront this trend. The 2023 Budget Law gave firms the opportunity to regularize their situations with no penalty during an amnesty period of one year, with sanctions contemplated for firms that remain noncompliant after the end of the amnesty. Firms that have exhausted the maximum period and/or did not file the minimum tax reporting documents that want to permanently terminate their activity are given the option to do so with no tax audit or penalty by filing the appropriate paperwork and paying a modest sum of DH 5,000 for each year of inactivity. The OMPME database could help ascertain whether these measures are slowing the proliferation of inactive firms in Morocco.

**FIGURE 3.5 • Average size of firms in Morocco, by age group.**



Source: World Bank and OMT PME staff calculations based on OMT PME data.

53 percent after five years. The three-year survival rate in Morocco is higher than in Canada (61 percent) and Spain (69 percent) but lower than that of the United Kingdom (78 percent) and Montenegro (83 percent). However, this indicator should also be interpreted with caution in Morocco due to the significant difference between the *de jure* and *de facto* exit rates.

### Firms' growth

The average size of Moroccan firms has at best stagnated in recent years. The average revenue for very small enterprises (VSEs) fell from DH 1.6 million in 2017 to DH 1.4 million in 2020, and that of medium and large firms increased only modestly (from DH 361 million in 2017 to DH 368 million in 2021). The number of employees also declined, from 12 to 11 for SMEs and from 371 to 343 for medium and large enterprises.<sup>8</sup> This stagnation in the size of Moroccan firms is observed for firms of all ages (figure 3.5).

<sup>8</sup> It is still too early to know whether the COVID-19 pandemic will have persistent consequences for formal firms. According to OMT PME's 2020–21 annual report, during the first year of the pandemic 20,560 firms witnessed a decline in revenues; 200 large enterprises became SMEs; 3,880 SMEs became VSEs or microenterprises; 6,680 VSEs became microenterprises; and 9,800 microenterprises saw their annual revenue drop from DH 1–DH 3 million to a lower level. Average revenues increased more at firms that had been in business at least 10 years than at younger firms.

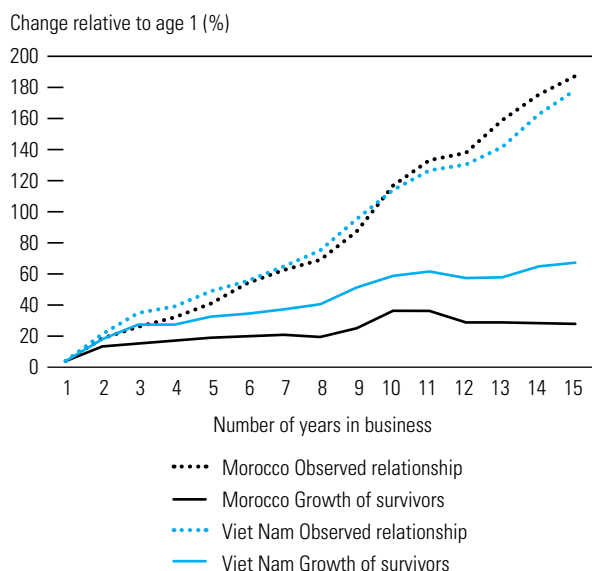
Moroccan firms grow slowly with age. The average active Moroccan firm in the data that had been in business 15 years old employs 1.87 times more workers than the average 1-year-old firm performing a similar activity. This steep age–size relationship is very close to that observed in Viet Nam, one of Morocco's aspirational peer economies (figure 3.6). However, much of this relationship reflects the gradual (*de facto*) exit of smaller firms, which cease operations at a higher rate than their larger peers. Once controlling for it, growth over the life cycle of an average Moroccan firm remains limited: The average size of a Moroccan firms surviving up to age 15 is estimated to be only 24.5 percent larger (in terms of workforce) than their average size at age 1. This finding contrasts with Viet Nam, where the average size of firms surviving up to age 15 is estimated to be 65 percent larger than their average size at age 1, a sign of a more dynamic private sector.

### High-growth firms

The share of high-growth firms (HGFs<sup>9</sup>) in the formal private sector in Morocco is relatively high. To be comparable internationally, this share is calculated based on firms with at least 10 employees. Before the pandemic, nearly 5 percent of firms (or 261 firms)

<sup>9</sup> HGF (MHGFs) are defined as firms employing at least 10 employees in year 1 and recording an average annual employment growth rate of at least 20 percent (10 percent) over the following three years.

**FIGURE 3.6 • Life cycle trends - Morocco and Viet Nam.**



Source: World Bank and OMTPE staff calculations based on OMTPE data and World Bank PSD Database Pilot.

Note: The figures are estimated on the 2016–19 period for Morocco and the 2017–19 period for Viet Nam, controlling for year and two-digit sector fixed effects. Specifications were first estimated in logs; results were then converted into estimated growth rates. Stayers are defined as hypothetical firms that remain active until a given age. The employment growth of stayers is estimated based on the estimated difference in employment at age  $T$  between firms that exit at age  $T + 1$  and firms that remain active at age  $T + 1$ . The last and first year (age 0) of a firm in the data are not considered for the estimation.

with at least 10 employees increased their workforce by 20 percent or more over the previous three years, a standard international definition of HGFs. If the growth threshold is reduced to 10 percent (defined as medium- and high-growth firms [MHGFs]) that share increases to 15.4 (573 firms), which compares favorably with considered peers (figure 3.7).<sup>10</sup> The presence of HGFs usually indicates that the business environment enables new players to challenge incumbents. HGFs are typically more innovative, and thus tend to drive productivity improvements that can boost overall economic growth. They have also been found to disproportionately contribute to job creation (Goswani, Medvedev, and Olafsen 2019).

However, it is worth noting that the density of HGFs remains very low (HGF/1000 inhabitants). Given that the number of firms with 10 or more employees

<sup>10</sup> The definitions of HGF and MHGFs are based on firms' growth observed between 2016 and 2019.

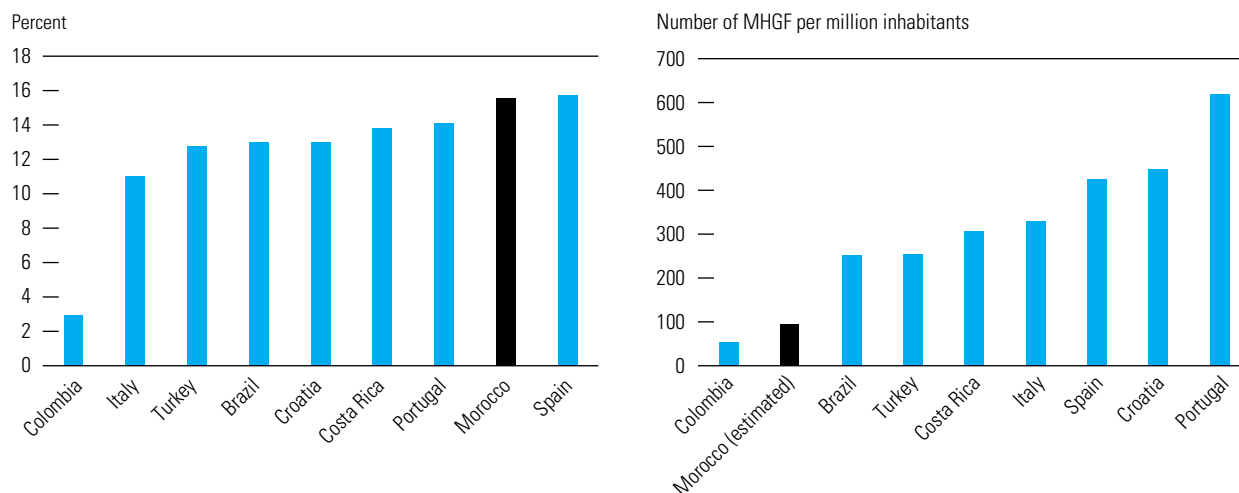
at the start of the period is very low, a small number of high growth firms results in a high HGF share. This indicator may therefore not reflect broad-based entrepreneurial dynamism across the economy. Extrapolating on the whole firm population, regardless of size, only an estimated 3,287 (1,497) firms met the 10 percent (20 percent) growth definition before the pandemic.<sup>11</sup> Figure 3.7 (right panel) shows the absolute number of MHGFs per million inhabitants. With 90.5 MHGFs per million inhabitants, the density indicator is lower in Morocco than in most peers considered.

Moroccan High Growth firms are, on average, smaller, less productive and younger than other firms (Figure 3.8). MHGFs (HGFs) employ on average 69 (73) workers versus the 75 workers of the average non-MHGF; MHGFs are 6.6 percent and HGFs 9.9 percent less productive than non-HGFs/MHGFs; the average MHGF (9.8 years old) or HGF (8.6 years old) is considerably younger than a non-HGF/MHFG (14.7 years). This may reflect the fact that most HGFs are found low productivity sectors, such as construction and relatively low-skilled services sectors (figure 3.9).

MHGFs create fewer jobs in Morocco than in Viet Nam. As tends to be the case internationally, Moroccan HGFs play a disproportionate role in the

<sup>11</sup> The number is derived by multiplying the share of MHGFs out of the total population of incorporated businesses (*personnes morales*) used for the analysis in 2016 (1.47 percent of firms active in 2016) by the total number of incorporated businesses in the OMTPE data in 2016 (223,526 firms). The total number of incorporated businesses in the OMTPE data corresponds to the number of firms that filed a declaration to the DGI, the CNSS, or OMPIC in a given year. MHGFs are defined based on growth rates over the 2016–19 period. The extrapolation is based only on incorporated businesses (*personnes morales*). Very few own-account firms (*personnes physiques*) surpass the 10 employees threshold used for the definition of MHGFs. Nonetheless, even when carrying out the extrapolation exercise using both *personnes morales* and *personnes physiques* (452,548 firms), the density of MHGFs in Morocco remains low and (183 firms per million inhabitants). Similarly, extrapolating the density of MHGFs using the number of LLCs in the Entrepreneurship Database (446,951 firms) would result in a MHGF density of 181 firms per million inhabitants, leaving the qualitative conclusion of the analysis unchanged.

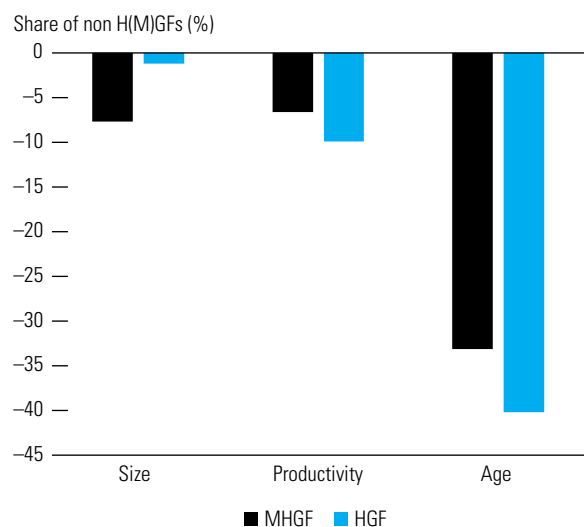
**FIGURE 3.7 • Share and density of medium- and high-growth in Morocco and selected comparator countries.**



Source: World Bank and OMTPE staff calculations based on OMTPE and OECD data.

Note: HGFs (MHGFs) are defined as companies with at least 10 employees and an average annual employment growth rate of at least 20% (10%) over the next three years. The categorization as HGFs and MHGFs is based on company growth observed between 2016 and 2019. The number for Morocco is an extrapolation based on the share of MHGFs observed in the population used for the analysis and the total number of firms in the OMTPE (including those with no reported employment).

**FIGURE 3.8 • Size, productivity, and age of high-growth firms (HGF) and medium- and high-growth firms (MHGFs) compared with non H(M)GFs.**



Source: World Bank and OMTPE staff calculations based on OMTPE and OECD data.

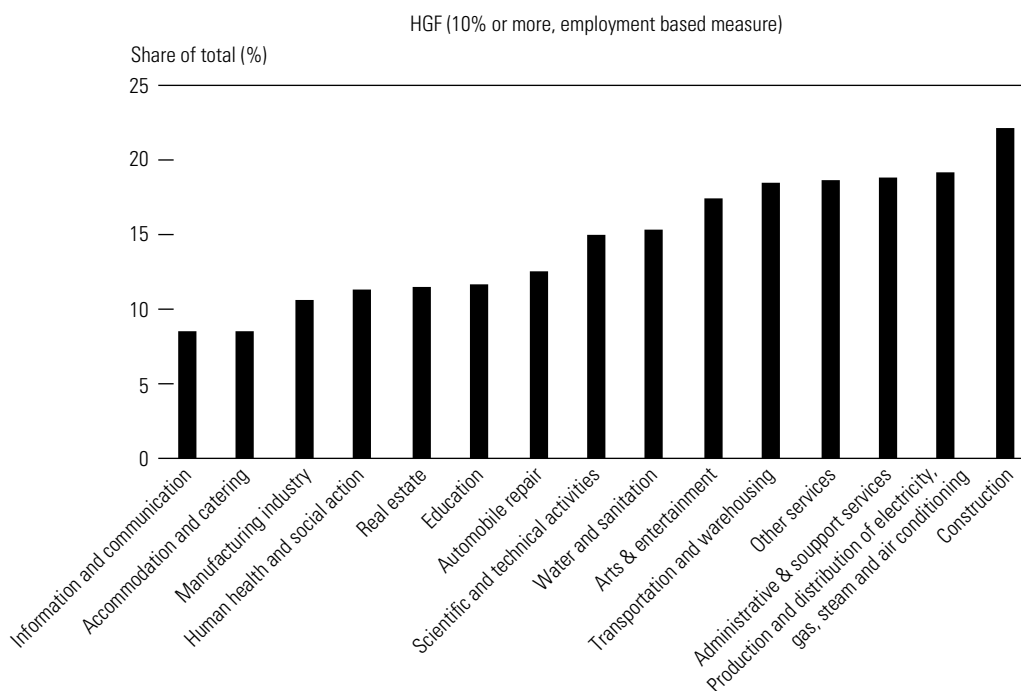
country’s labor market: Although they represent only 15.4 percent of firms with 10 or more employees, they are responsible for 60.3 percent of total (gross) job creation among these firms (figure 3.10). In comparison, Viet Nam has a share of HMGFs of 14.6 percent (lower than Morocco), but these firms account for 74.7 percent of gross job creation. Various hypotheses could explain why MHGFs create more jobs in Viet Nam than in Morocco. One is size: Moroccan MHGFs may be smaller and have therefore a more limited capacity to contribute to job creation on aggregate. Another is differences in the intensity of growth events, which may be particularly important for aggregate job creation. Although the share of MHGF is higher in Morocco, the share of HGFs is higher in Viet Nam, implying that the intensity of such growth events is also higher in the latter country.

### Productivity and Misallocation

This section analyses productivity trends in the formal private sector. It is based on the estimation

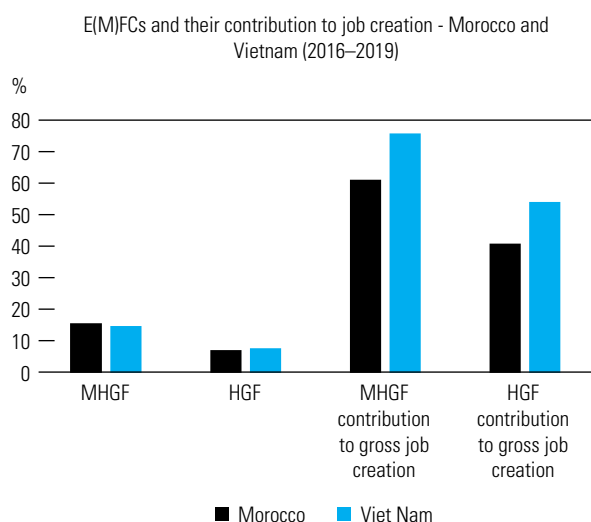


**FIGURE 3.9 • Share of medium- or high-growth firms in Morocco based on employment, by sector.**



Source: World Bank and OMTPE staff calculations based on OMTPE and OECD data.

**FIGURE 3.10 • Density of and job creation by high-growth firms (HGF) and medium- and high-growth firms (MHGFs) in Morocco and Viet Nam.**



Source: World Bank and OMTPE staff calculations based on OMTPE dataset and World Bank PSD Database pilot. Contribution to gross job creation is calculated based on gross job creation between 2016 and 2019. Firms' growth rates used to identify MHGFs in Morocco and Viet Nam are based on deviations from yearly averages.

of labor productivity and a proxy for TFP produced with OMTPE firm-level data.<sup>12</sup> The findings reveal that private sector productivity did not significantly improve during the period under consideration. Although the average Moroccan firm became more productive, labor tended to shift to less productive firms—a sign of allocative inefficiencies. Moroccan markets are not rewarding more productive firms, as evidenced by the fact that larger and older businesses are less productive than their younger and smaller peers.

<sup>12</sup> Because of measurement noise in the variable recording intermediate inputs, it was not possible to obtain robust and reliable estimates of sectoral production functions using standard production function estimation techniques. The note thus focuses on labor productivity rather than TFP. It presents some results based on a proxy measure of TFP, which is estimated as the residual of a regression of log-value added on log-employment and log-capital, estimated for each two-digit sector.

## Productivity trends in the formal private sector

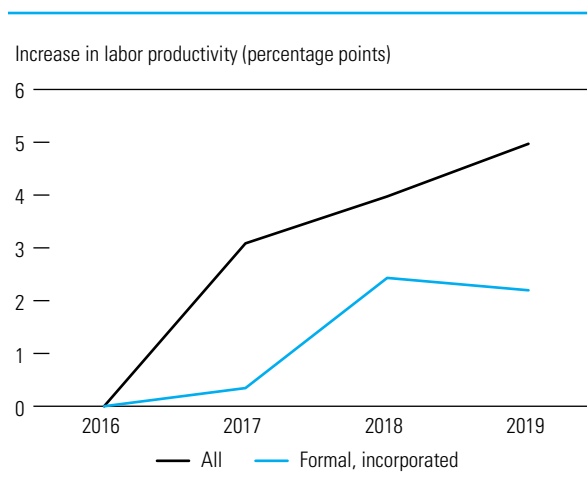
The recent labor productivity performance of the formal corporate private sector has been lackluster. Between 2016 and 2019, labor productivity in the corporate sector grew by 2.2 percent, underperforming the rest of the economy, which saw labor productivity increase by 5.0 percent over the same period (figure 3.11). Part of this subdued productivity growth could reflect the gradual expansion of the formal sector through the progressive formalization of less productive businesses, a positive development (box 3.3). However, it also evidence that there is ample room to promote a stronger and more sustained process of productivity growth in the Moroccan corporate sector. Public policies should aim at promoting the expansion and development of the formal business economy, addressing the key constraints holding back its potential to contribute to aggregate growth and job creation.

Morocco's nonagricultural formal (corporate) private sector gradually became more services oriented between 2016 and 2019, a trend that increased labor productivity.<sup>13</sup> Formal employment in the nonagricultural private sector gradually reallocated away from construction (figure 3.12), which lost 1.9 percentage points of its share of formal employment to retail, professional, and administrative services.

This reallocation of employment increased labor productivity by 0.8 percentage points over this period (figure 3.13, panel a). Although fully assessing the contribution of structural transformation within the formal nonagricultural sector would require an analysis with a longer time horizon, the results presented in this section suggest that over the 2016–19 period the sectoral reallocation of employment across one-digit sectors had a positive contribution to the productivity growth of the formal (corporate) nonagricultural sector.

<sup>13</sup> These results are based on changes in the sectoral employment shares based on OMT PME data – itself based on CNSS employment declarations - covering the formal corporate sector and might therefore differ from figures based on the entire population of employees.

FIGURE 3.11 • Aggregate labor productivity growth by formal incorporated firms and the economy as a whole, 2016-19.



Source: World Bank and OMT PME staff calculations based on World Development Indicators (black line) and Moroccan firm-level administrative data (blue line).

## Signs of misallocation

A decline in the allocative efficiency of the formal private sector slowed aggregate productivity growth between 2016 and 2019. Aggregate productivity growth can be decomposed into two elements: (a) a within-firm component, which captures whether firms are, on average, becoming more productive, and (b) a between-firm component, which captures whether production factors are being reallocated from less productive to more productive firms. In Morocco, the within-firm component helped increase aggregate productivity (black line in figure 3.14, panel a), suggesting of a broad upgrading in the productive efficiency of the country's businesses. In contrast, the between-firm component contributed negatively to overall productivity growth, implying that less productive firms expanded more rapidly than more productive firms. This deterioration in allocative efficiency reduced aggregate productivity (figure 3.14, panel b).<sup>14</sup> Had allocative efficiency remained constant

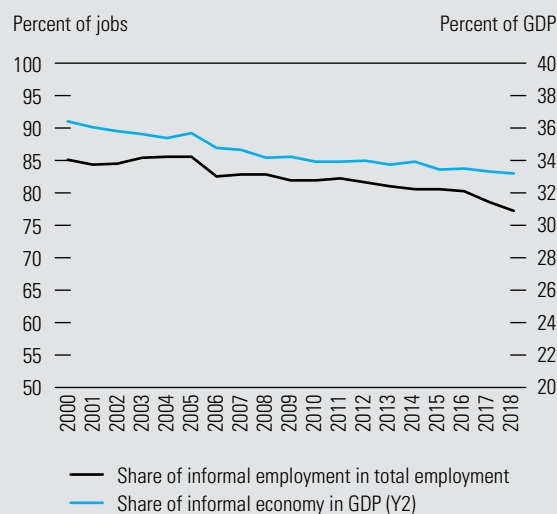
<sup>14</sup> Although the Covid-19 pandemic has reverted this trend—a pattern that could arise for example if more productive firms proportionally lost, on average, less employment than less productive firms—this is likely to be a largely transitory and cyclical pattern and should not be taken as a sign of a structural change in the underlying constraints limiting the efficiency of Moroccan markets.

### BOX 3.3 • THE INFORMAL ECONOMY IN MOROCCO.

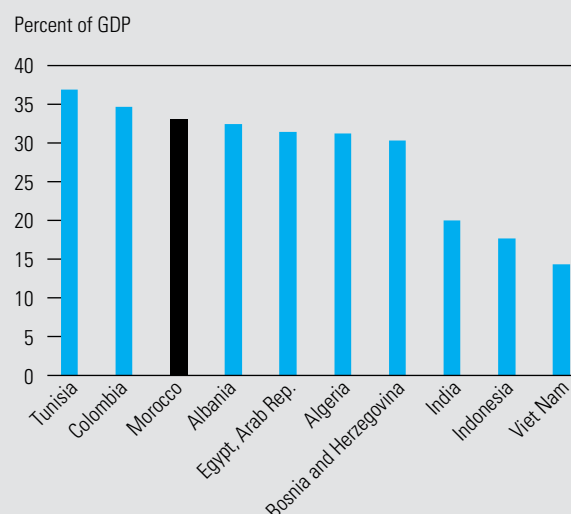
Morocco has made some progress in reducing the size of its informal sector, the relative weight in in overall GDP and total employment declined by between 3.3 and 7.3 and by 7.9 percentage points respectively (box figure 3.3.1). However, according to the World Bank's informality database (Elgin and others 2021), Morocco's informal sector accounts for 28.4–33.1 percent of GDP, depending on the methodology used for its computation. These estimates broadly align with recent estimates from Bank al Maghrib (Lahlou, Doghmi, and Schneider 2020). The informal sector employs 77.2 percent of the labor force.<sup>a</sup>

Morocco has a larger informal economy than all of the peers considered in this exercise except Colombia and Tunisia (box figure 3.3.2). When measured by its contribution to total GDP, the size of the informal economy appears to be significantly lower in the three high-growth aspirational peers (India, Indonesia, and Viet Nam). The share of informal employment in total employment is also higher in Morocco than in North African peers (62.5 percent in Egypt and 43.9 percent in Tunisia) (Acevedo and others 2023).

**BOX FIGURE 3.3.1 • Contribution of informal economy in Morocco to jobs and GDP, 2000-18.**



**BOX FIGURE 3.3.2 • Share of GDP contributed by the informal sector in Morocco and selected peers.**



Source: World Bank Informality Database.

Note: Contribution to GDP computed using the Multiple Indicators Multiple Causes Model-Based (MIMIC) method.

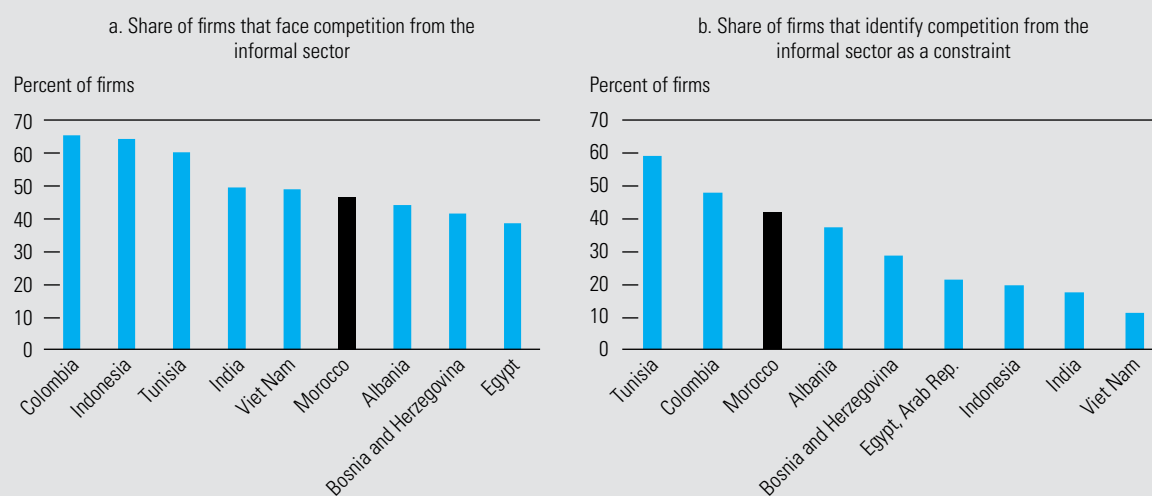
a. In 2018, 34 percent of total informal employment in Morocco was accounted for by informal employees and 66 percent to employers, contributing family workers, and own-account workers (a legal form of informality) (Acevedo and others 2023).

(continued)

### BOX 3.3 • THE INFORMAL ECONOMY IN MOROCCO. (CONTINUED)

Formal firms in Morocco face significant competition from the informal sector, probably reducing their productivity. Using firm-level survey data from a large cross-section of countries, Amin, Ohnsorge, and Okou (2019) estimate that the average labor productivity of firms facing competition from the informal sector is 25 percent lower than for firms that do not. According to World Bank Enterprise Surveys, 47 percent of Moroccan firms face informal competition, a figure that is close to or below that of most of its aspirational peers (box figure 3.3.3, panel a). However, the share of Moroccan firms that identify competition from the informal sector as a constraint is significantly higher (figure 3.3.3, panel b). This finding suggests that it is necessary to continue to improve the economic opportunities of informal entrepreneurs with the potential to formalize and promote the creation of more and better formal jobs for informal workers and subsistence entrepreneurs. A 2023 World Bank report on informality in the MENA region (Acevedo and others 2023) discusses a series of policy options that could be adopted in Morocco to achieve this goal.

**BOX FIGURE 3.3.3 • Informal competition for formal firms in Morocco and selected comparators countries.**



Sources: World Bank Enterprise Survey (last available).

at its 2016 level, aggregate labor productivity in the formal sector would have increased by 5.0 percent between 2016 and 2019, more than twice the observed +2.2 percent.

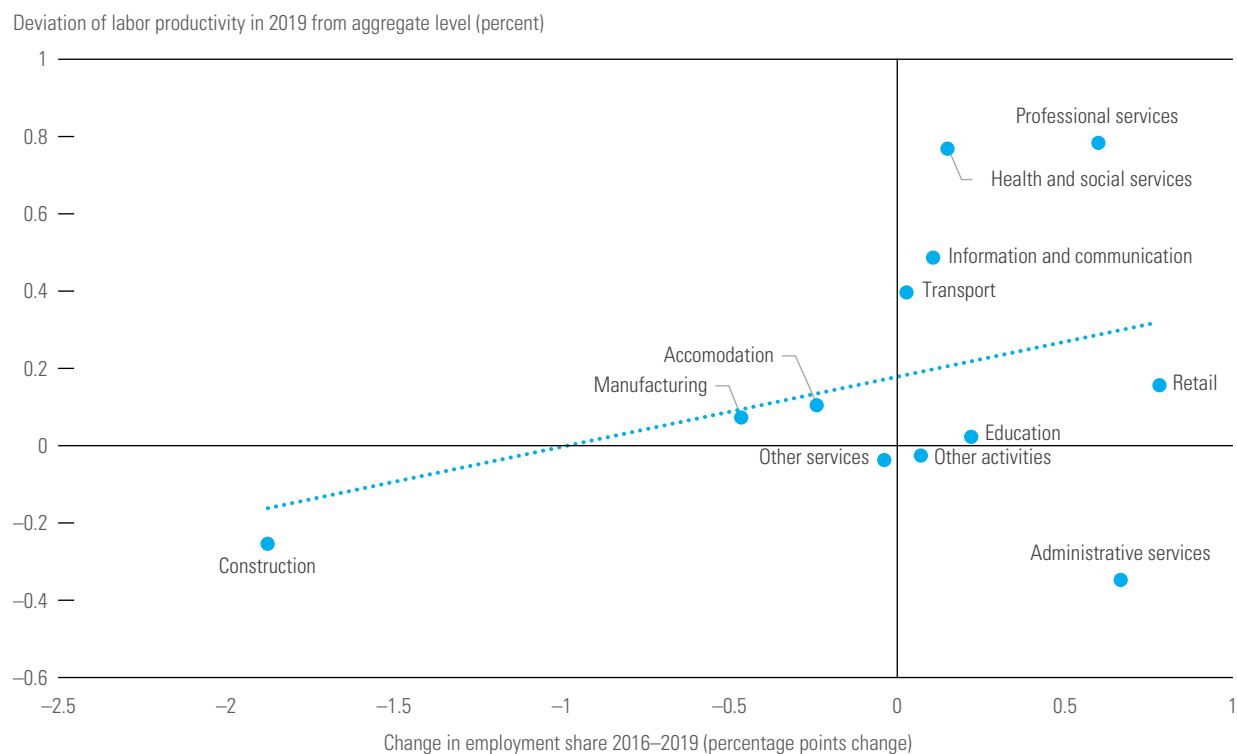
The decline in allocative efficiency between 2016 and 2019 period appears even more pronounced when accounting for changes in the structure of the economy and the resulting labor reallocation across sectors. The negative contribution of the between-firm component is larger when netting out the effect of changes in the structure of the economy and the resulting reallocation of labor across sectors. In fact, it was strong enough to offset the overall increase in productivity of the average firm among firms operating in similar activities (two-digit sectors). Reverting this trend and ensuring that more productive firms can

expand and use a larger share of productive resources is key to boosting growth in Morocco.

Aggregate productivity growth was primarily driven by the services sector. The labor productivity of formal services increased by 8 percent between 2016 and 2019 (figure 3.15). It driven by both an increase in the productive efficiency of the average services firms and by a (modest) increase in allocative efficiency, as more productive services firms grew more rapidly than less productive ones.

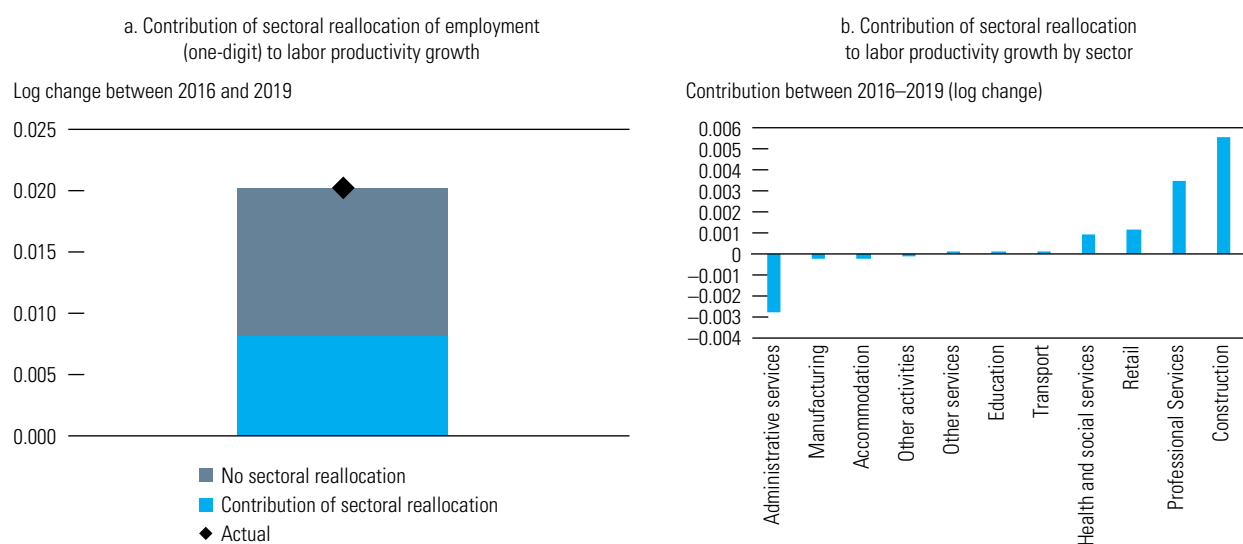
Labor productivity declined in the industrial sector (including construction), driven by a strong decline in allocative efficiency coupled by an insufficient level of upgrading among industrial firms. These patterns suggests that barriers to reallocation may be more pronounced in industry

**FIGURE 3.12 • Sectoral reallocation of labor in Morocco between 2016 and 2019.**



Source: World Bank and OMTPE staff calculations based on Moroccan administrative data.

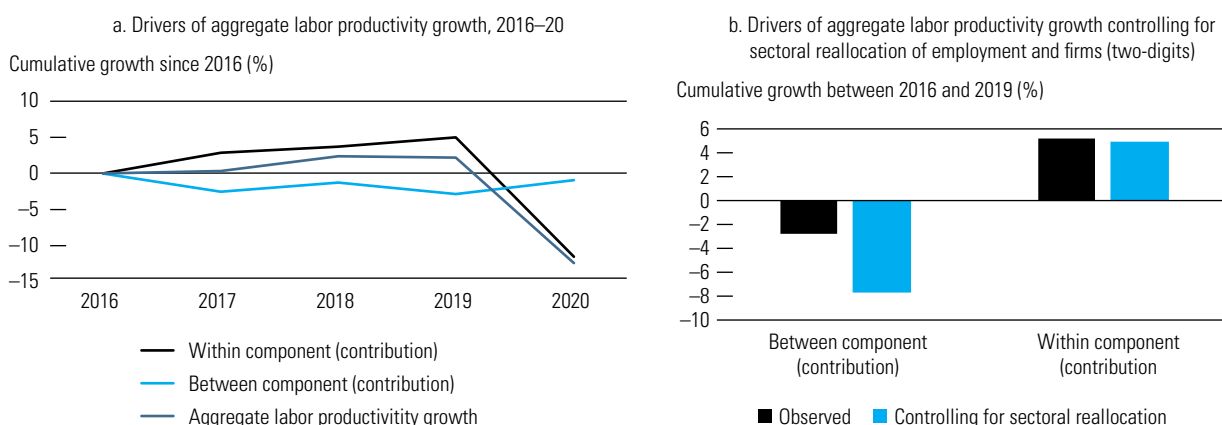
**FIGURE 3.13 • Contribution of structural transformation to labor productivity growth in 2016-19.**



Source: World Bank and OMTPE staff calculations based on Moroccan administrative data.

Note: The counterfactual growth with no sector reallocation of employment is computed by comparing the aggregate labor productivity in 2019 and the counterfactual aggregate productivity obtained by keeping employment shares fixed at their 2016 level and multiplying them by the 2019 sectoral productivities. The contribution of the reallocation of employment shares across broad sectors is then defined as the residual growth in productivity between 2016 and 2019.

**FIGURE 3.14 • Channels of aggregate labor productivity growth in Morocco.**



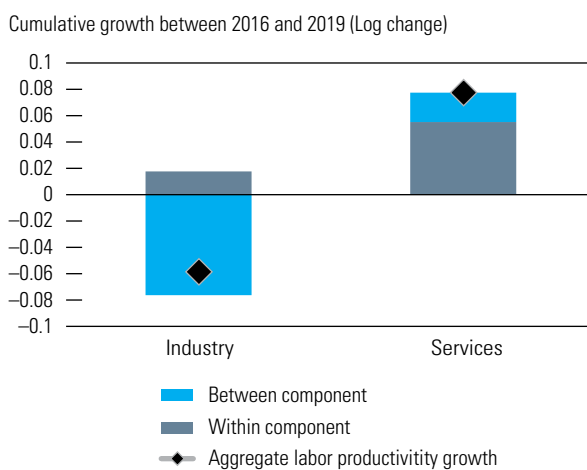
Source: World Bank and OMTPE staff calculations based on Moroccan formal incorporated firm-level administrative data.

Note: In panel a, the black line shows the simple average of labor productivity across firms, the gray line plots the evolution of the weighted average of labor productivity across firms (weighted by employment levels), and the blue line is the difference between the gray and black lines. The between component (the blue line) is a measure of the covariance between firms' productivity levels and employment shares. The lines plot percentage changes in the measures relative to 2016. Labor productivity is considered in logs. Panel b controls for sectoral reallocation by keeping the share of employment and share of firms in each two-digit sector fixed at its 2019 level when performing the Olley-Pakes decomposition of aggregate productivity growth.

than in other sectors and that industrial firms seem less able to achieve efficiency gains. This pattern may reflect a decline in the average quality of installed physical capital or insufficient innovation and adoption of new technologies at the firm level.

Older firms in Morocco are on average larger than younger firms, but they are not more productive.

**FIGURE 3.15 • Decomposition of labor productivity growth in services and industry.**



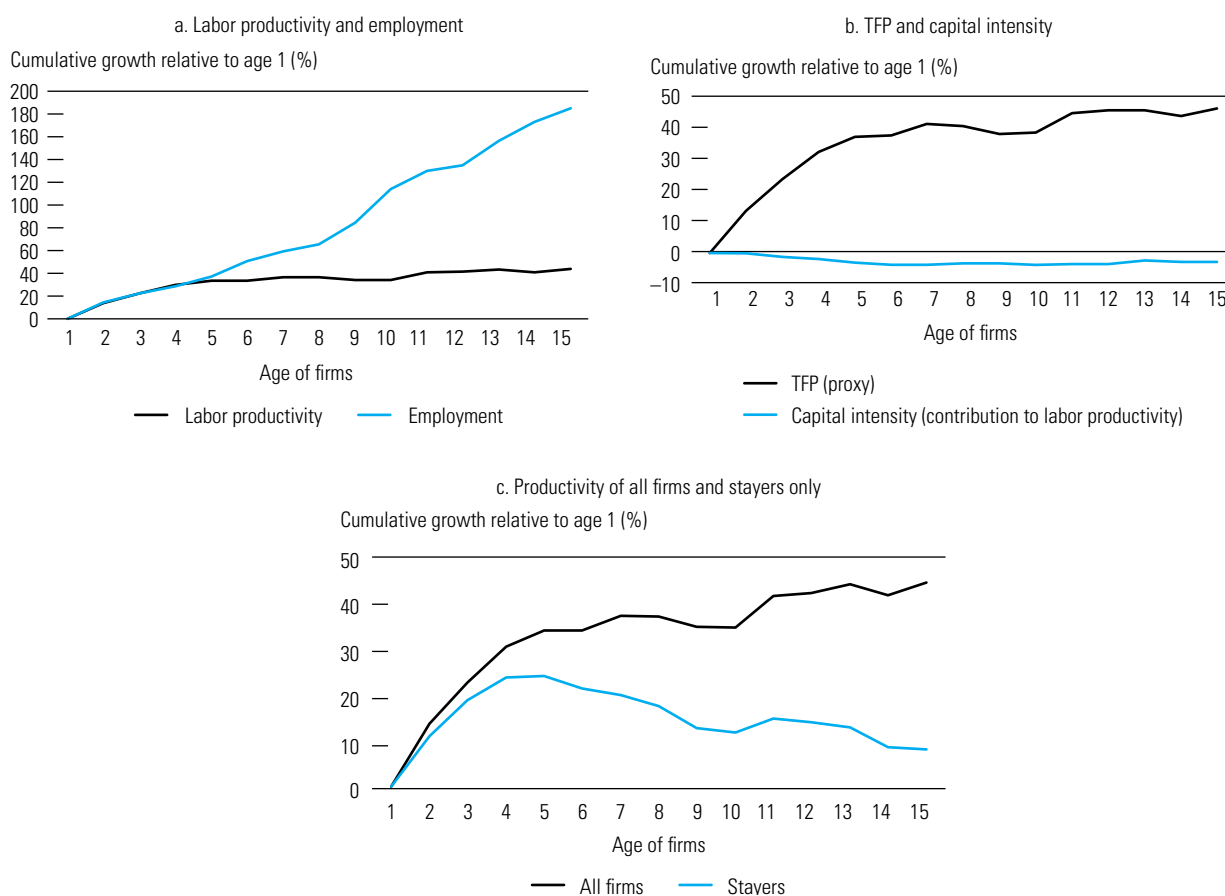
Source: World Bank and OMTPE staff calculations based on Moroccan firm-level administrative data.

Note: Results are for formal incorporated firms. Industry includes construction.

Firms' employment growth is initially accompanied by an increase in labor productivity. However, starting from age five, the data show a decoupling between the age–employment and age–productivity relationships, with an average size that continues to increase while productivity stagnates (black line in figure 3.16, panel a). The slowdown of labor productivity growth is also reflected in the dynamics of total factor productivity (black line in panel b), which stagnates after age five, while the capital intensity of firms (ratio of physical capital per worker) remains relatively stable across age groups. When restricting the analysis to surviving firms, productivity declines from age five onward (blue line in panel c). The modest overall increase in productivity that occurs with age (panel a) is entirely driven by the exit of unproductive firms, while larger surviving firms show limited dynamism and become less efficient as they grow older.

Productive Moroccan firms are likely to be smaller than they should optimally be. Moroccan firms with the highest labor productivity tend to employ fewer workers than other firms (figure 3.17, panel a) but enjoy higher profit shares than other firms (figure 3.17, panel b). These firms are therefore better able to extract profits from their output. This may happen because they set higher-than-socially-optimal prices, which implies that they are producing less output than they would if

**FIGURE 3.16 • Relationship between firms' age and productivity in Morocco.**



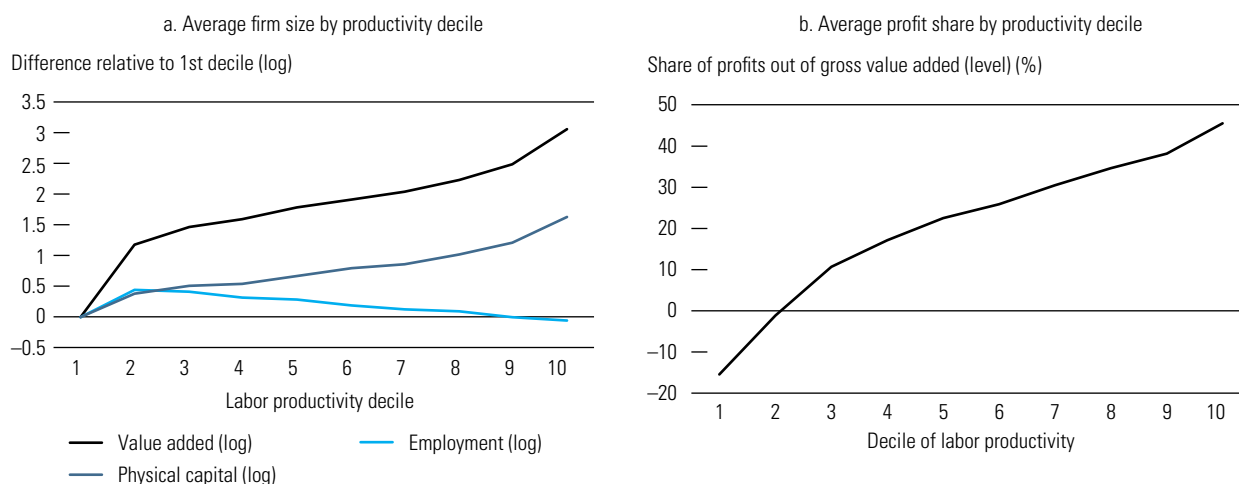
Source: World Bank and OMPME staff calculations based on Moroccan firm-level administrative data.  
 Note: Figures are for 2016–19, controlling for year and two-digit sector fixed effects. Specifications are first estimated in logs; results are then converted into estimated growth rates. The proxy measure for TFP is obtained as the residual of a regression of log value added on log-employment and log-capital, estimated for each two-digit sector. Stayers are defined as hypothetical firms that remain active until the corresponding age on the x-axis of the graphs. The productivity growth of stayers is estimated based on the estimated difference in productivity levels at age T between firms that exit at age T + 1 and firms that remain active at age T + 1. The last and first year (age 0) of a firm in the data is not considered for the estimation.

they faced more competitive pressure. Lower output reduces the demand for labor and keeps firms smaller than they should optimally be.

Large Moroccan firms seem able to operate with limited incentives to invest in efficiency. They tend to be less productive than their smaller peers; medium-size firms are the most productive in Morocco (figure 3.18). This pattern is observed both when considering labor productivity and a proxy measure for total factor productivity. It suggests that larger firms in the Moroccan economy seem able to insulate themselves from strong competitive pressures, and thus face limited incentives to invest intensively in efficiency and upgrading.

In sum, Moroccan markets do not appear to reward the most productive firms in the economy. The divergence between the age-productivity and age-size relationship over the life cycle of firms, together with the observed relationship between size and productivity of firms suggests that competitive dynamics in Moroccan markets might be unable to efficiently allocate productive resources across firms. As a result, considerable productivity gains are left untapped. Identifying and correcting existing barriers to the efficient reallocation of resources should thus be a critical part of Morocco's strategy to stimulate economic growth and job creation.

**FIGURE 3.17 • Firm productivity, size, and profit share.**

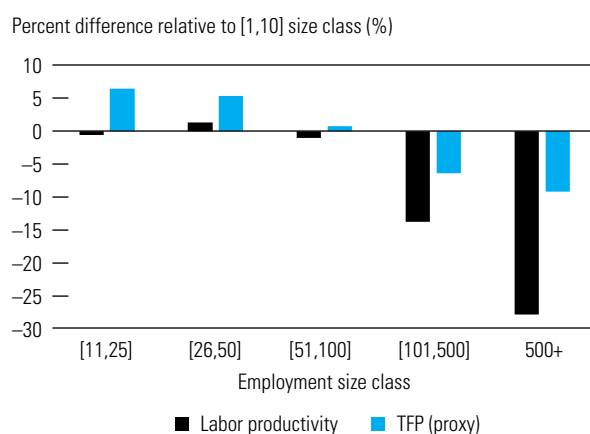


Source: World Bank and OMTPE staff calculations based on OMTPE data.  
 Note: Profit share is profits before taxes divided by gross value added.

## Drivers of Private Sector Productivity Growth

The literature identifies various factors that generally restrain the performance of the private sector, among which: (i) a suboptimal competitive and business

**FIGURE 3.18 • Comparative productivity across firm size groups.**



Source: World Bank and OMTPE staff calculations based on OMTPE data.  
 Note: The proxy measure for TFP is obtained as the residual of a regression of log value added on log-employment and log-capital, estimated for each two-digit sector.

environment (Cusolito and Maloney 2018; Dieppe 2021); (ii) the low quality of capital and insufficient technology adoption (Cusolito, Lederman, and Peña 2020); (iii) inadequate access to finance (Levine and Warusawitharana 2021). This section examines how these factors may explain the dominance of small firms, the slow growth of firms, the plateauing of productivity gains, and the challenge of resource misallocation in Morocco.

## Constraints in the competitive and business environment

Morocco's competitive environment appears to favor incumbents. Once Moroccan firms reach a certain age and size, productivity loses relevance as a determinant of their future capacity to grow. Instead, the competitive environment may be allowing incumbents to rely on their market power to survive and grow. In a market in which older incumbents face limited competitive pressures, these firms have limited incentives to innovate and become more efficient, and potential entrepreneurs face a disincentive to enter the market and challenge established businesses that can insulate themselves from competitive threats. A micro-level analysis of markups and concentration at the sectoral level would



help gain a better understanding of the competitive environment in which Moroccan firms operate.

Morocco is beginning to make substantial progress in the fight against anticompetitive practices following the operationalization of the Competition Council in 2018 and the amendment of the Competition Law in mid-2023. However, more may be needed to level the playing field for all market players. Public policies have promoted and supported foreign direct investment and large-scale investment projects in recent years. Less success has been achieved with smaller firms, which may have been put at a competitive disadvantage by the emergence of large

sectoral champions (IFC 2019). Leveling the playing field would require ensuring that the business support mechanisms deployed by Morocco do not exacerbate the diverging dynamics that characterize different segments of the private sector and create the enabling conditions that are needed for medium firms to grow more rapidly. A thorough review of product market regulations, as well as impact evaluations of incentives under the investment charter and the various support mechanisms in place, would help identify and address specific constraints facing these firms over their life cycle. The ongoing tax reform should also help remove distortions associated with the tax system (box 3.4).

### BOX 3.4 • MOROCCO'S CORPORATE INCOME TAX SYSTEM.

Corporate tax systems often include different statutory rates as well as a multiplicity of deductions, exonerations, and other types of tax expenditure. As a result, the effective corporate income tax (CIT) rate imposed on individual firms can vary widely, incentivizing firms to make decisions that minimize total CIT payments. Distortions arise when these decisions are associated with negative externalities for the broader economy.

Several studies analyze such distortions. Bachas and others (2023) find that CIT systems tend to penalize medium-size firms, because effective CIT rates tend to be lower for both smaller firms, which face lower statutory rates, and larger firms, which take greater advantage of tax incentives. Benedek and others (2017) find that tax incentives that discriminate by size can disincentivize firms' growth when they do not target research and development, with adverse aggregate impacts on productivity.

During the 2010s, Morocco adopted a progressive CIT system, with a marginal rate that increased with firms' net profits (box table 3.4.1). Tax rates also vary between industrial and nonindustrial firms, with the latter generally paying higher CIT and firms in industrial zones accorded preferences. Financial and insurance firms are subject to a 37 percent rate; firms in the Casa Finance City, a financial hub established in Casablanca, pay 15 percent. The ongoing tax reform will converge toward a uniform rate of 20 percent for most firms by 2026.

**BOX TABLE 3.4.1 • Corporate income tax rates under the ongoing reform, 2022-26 (percent).**

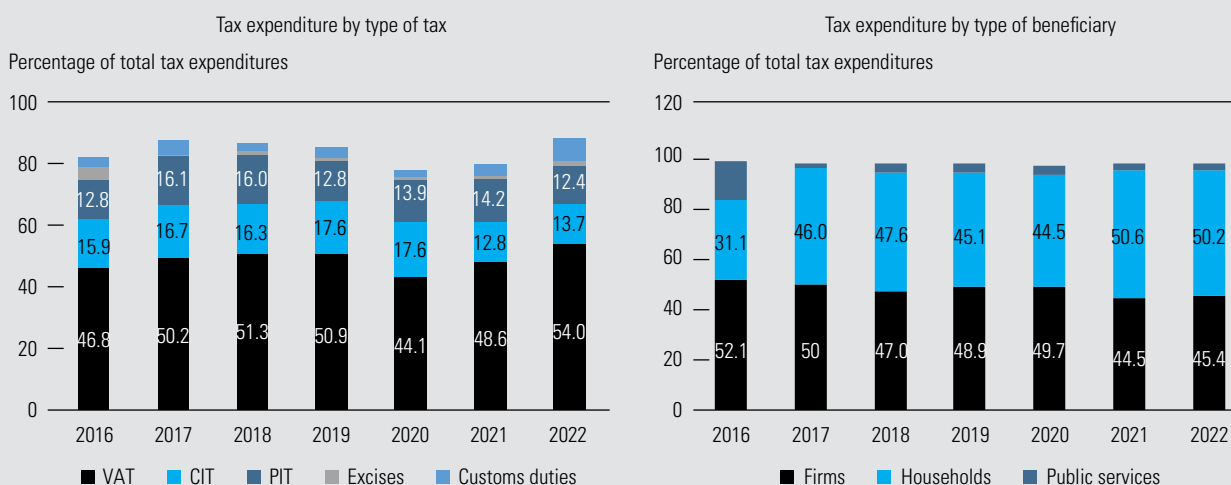
	2022	2023	2024	2025	2026
Non industrial firms with net profits below 0.3 million dirhams	10.00	12.50	15.00	17.50	20.00
Non industrial firms with net profits between 0.3 and 100 million dirhams	20.00	20.00	20.00	20.00	20.00
Industrial firms with net profits below 0.1 million dirhams	26.00	24.50	23.00	21.50	20.00
Industrial firms with net profits between 1 and 100 million dirhams	31.00	28.25	25.50	22.75	20.00
Firms in Casa Finance City and Industrial Acceleration Zones with net profits below 100 million dirhams	15.00	16.25	17.50	18.75	20.00
Industrial firms with net profits above 100 million dirhams	31.00	32.00	33.00	34.00	35.00
Firms with net profits above 100 million dirhams	20.00	23.75	27.50	31.25	35.00
Firms in Casa Finance City and Industrial Acceleration Zones with net profits above 100 million dirhams	15.00	20.00	25.00	30.00	35.00
Financial and insurance firms	37.00	37.75	38.50	39.25	40.00

(continued)

## BOX 3.4 • MOROCCO'S CORPORATE INCOME TAX SYSTEM. (CONTINUED)

Morocco's tax system includes several incentives that benefit firms, some of which are being gradually withdrawn as part of the ongoing tax reform. In 2022, tax expenditures associated with the CIT represented 13.7 percent of a total of DH 37.8 billion (3 percent of GDP), surpassed only by tax expenditures linked to the value added tax (figure 3.4.1, panel a). However, almost half of total tax expenditure has benefited firms rather than households over recent years. Research based on data from the OMTMPE database could help determine whether an expensive system of tax expenditures has positively affected firms' dynamics.

**BOX FIGURE 3.4.1 • Tax expenditure in Morocco, 2016-22.**



Source: MEF. VAT refers to Value-Added Tax; CIT refers to Corporate Income Tax; PIT refers to Personal Income Tax.

### The role of capital accumulation and technology adoption

Before the pandemic, the formal private sector became more capital intense, but the increased had a limited impact on productivity. The average value of installed physical capital per employed worker increased by 12 percent between 2016 and 2019 (figure 3.19, panel a). However, the productivity impacts of this capital accumulation were muted (figure 3.19, panel b), possibly suggesting that capital is not being used efficiently or that the average quality of installed capital was suboptimal during this period.

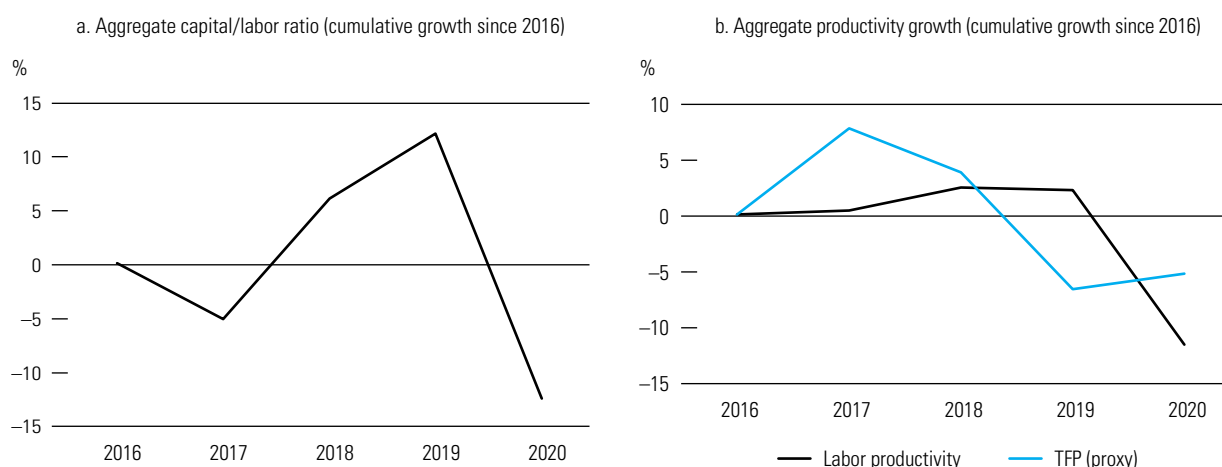
An insufficient adoption of new technologies may be adversely affecting the quality of installed capital—and thus the productivity performance of the formal private sector. There is solid evidence on the positive impact that technology adoption can have on productivity at the firm-level (see, for instance, Cirera,

Comin, and Cruz 2022). Collecting more detailed information on the type and quality of physical capital used by Moroccan businesses would help inform public policies focused on productivity, growth, and job creation. The ongoing World Bank Technology Adoption Survey in Morocco could shed light on the barriers faced by businesses in various sectors when adopting technologies and identify ways to facilitate this adoption.

### Inadequate access to finance

Despite the comparatively large size of its banking system, Moroccan firms perceive access to finance as a major constraint to their operations. Credit to the private sector is larger in Morocco than in all the other peers used in this exercise except Viet Nam (figure 3.20, panel a). Yet, according to the World Bank Enterprise Survey, Moroccan firms' perceptions

**FIGURE 3.19 • Accumulation of physical capital and productivity in Morocco, 2016-20.**

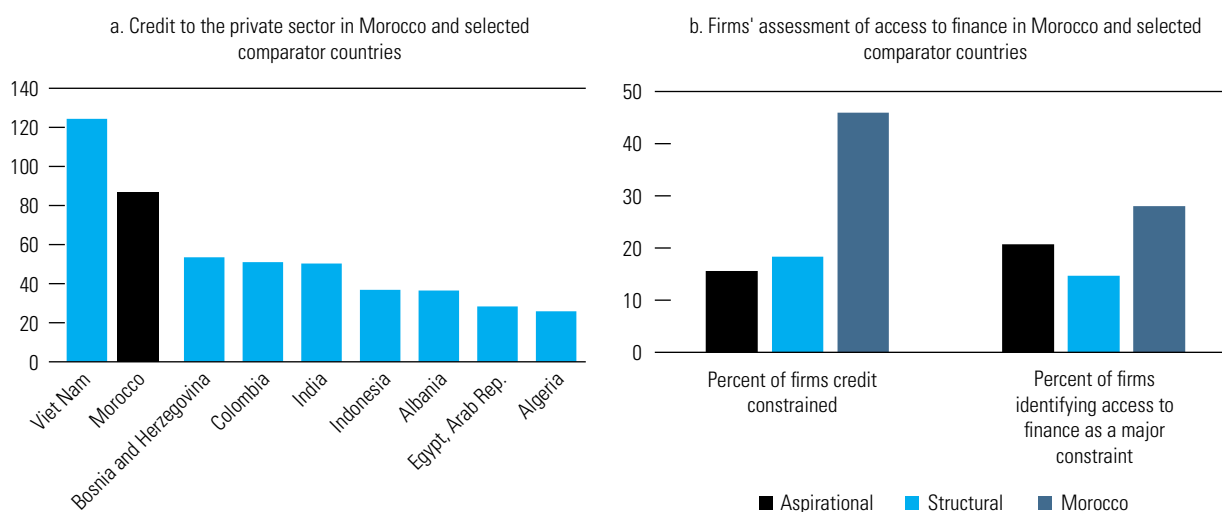


Source: World Bank and OMPME staff calculations based on Moroccan administrative data.  
 Note: Results are for formal incorporated firms for which it was possible to calculate TFP. The proxy measure for TFP is obtained as the residual of a regression of log value added on log-employment and log-capital, estimated for each two-digit sector.

about lack of access to credit as a constraint for their operations is pronounced: In 2019, 47 percent of surveyed firms reported being credit constrained, and 28 percent identified lack of access to external sources of financing as a major constraint (figure 3.20, panel b). These findings suggest that bank loans are highly concentrated among a small share of (mostly large) firms.

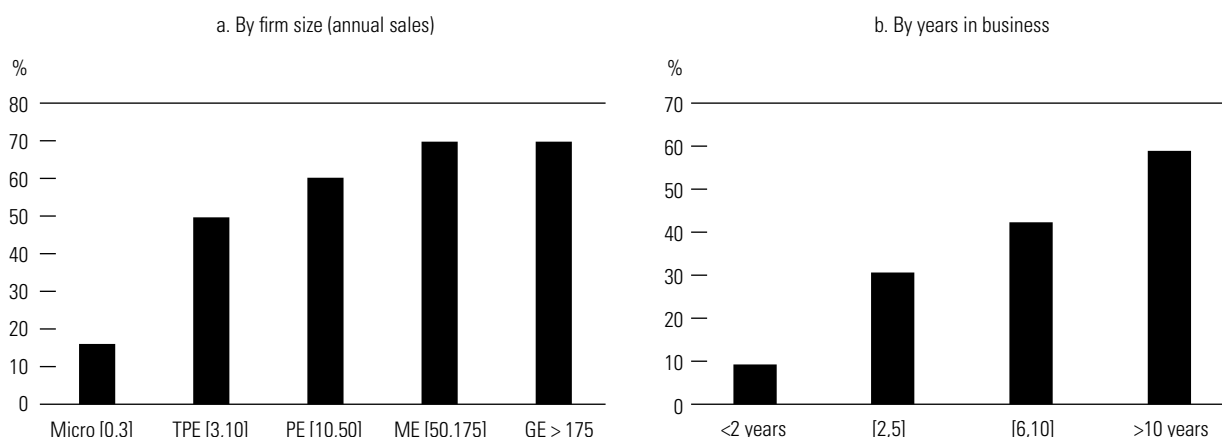
Although younger and smaller firms have greater need for external financing, they resort less to bank loans than larger and older firms, a sign that they may often be unable to access credit. Administrative data from OMPME confirm that access to credit of Moroccan firms is asymmetric and concentrated among older and larger firms (figure 3.21). Between 2016 and 2019, only 16 percent of firms with fewer than 4 employees and

**FIGURE 3.20 • Size of the financial system and perceptions of access to finance in Morocco.**



Source: World Bank staff, based on data from World Bank World Development Indicators and the World Bank Enterprise Survey.

**FIGURE 3.21 • Percent of Moroccan firms with access to credit, by firm size and age.**

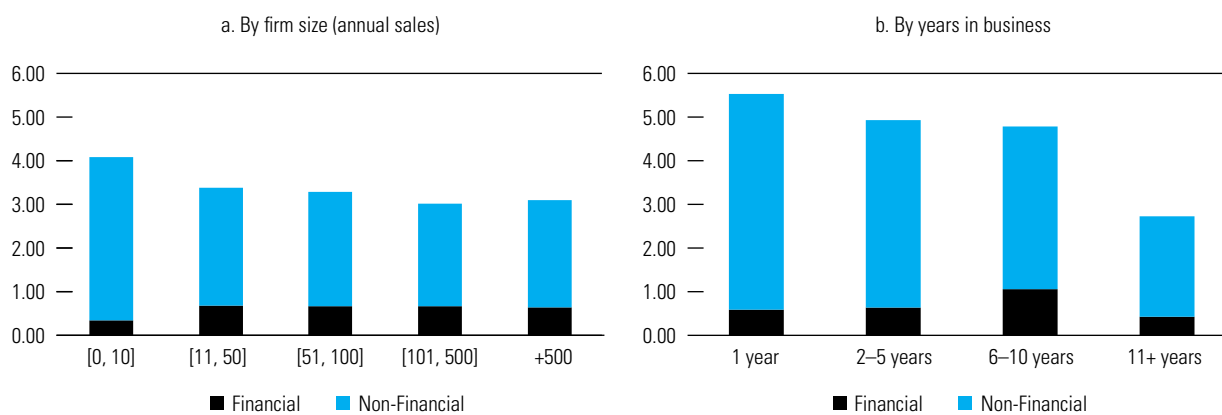


Source: World Bank and OMTPE staff calculations based on Moroccan firm-level administrative data.

50 percent of firms with 4–10 employees had an active credit contract with a financial institution, compared with 70 percent of firms with at least 50 employees. The use of financial credit increases with age, with 59 percent of firms that have been in business more than 10 years having an active credit contract compared with 31 percent of firms that have been in business just

2–5 years. Because of their more limited access to financial credit, younger and smaller firms tend to rely on other sources of credit (such as suppliers' credit). Indeed, on average, financial loans represent only 8.3 percent of the overall debt of firms employing up to 10 employees, compared with 20.6 percent for firms employing more than 500 employees (figure 3.22).

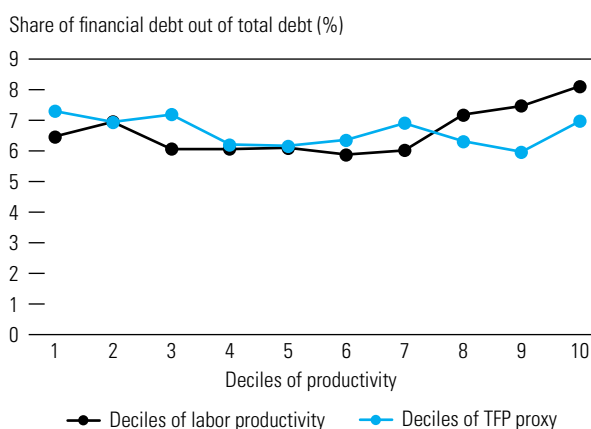
**FIGURE 3.22 • Financial and nonfinancial debt held by Moroccan firms, by firm size and years in business 2019.**



Previous research has also documented the problems small firms in Morocco have accessing credit.<sup>15</sup>

Bank credit is weakly correlated with firms' productivity, suggesting that more productive firms are not more likely to access financial credits than less productive ones (figure 3.23). Overall, the evidence suggests that the asymmetry in firms' access to credit in Morocco is likely to constrain the full potential of the private sector in the country. An in-depth analysis of the credit to businesses market in Morocco—including a more in-depth analysis of OMTPE credit-level microdata - coupled with a detailed review of

**FIGURE 3.23 • Credit and firms' productivity.**



Source: World Bank and OMTPE staff calculations based on Moroccan firm-level administrative data.

Note: The proxy measure for TFP is obtained as the residual of a regression of log value added on log-employment and log-capital, estimated for each two-digit sector. The horizontal axis represents the deciles of productivity, which categorize firms into ten groups based on their productivity levels.

<sup>15</sup> The 2023 OMTPE annual report highlights the disproportionate reliance on nonfinancial debt among Moroccan firms (OMTPE 2023). In 2021, financial debt averaged just 15.9 percent of the debt of Moroccan firms—well below the levels of high-income countries like Germany (44.9 percent) and France (36.6 percent). The 2019 Bank Al-Maghrib notes the use of informal practices and cash—which reduce the availability of information on businesses' activities and increases informational asymmetries between banks and firms—as a factor that makes it harder for small firms to access credit. Younger firms face additional constraints, as large informational asymmetries are coupled with limited collateral and/or guarantees.

financial regulations and practices in the country could provide actionable policy recommendations to tackle this issue. It could also be used to analyze the impact of the various programs introduced by the authorities to support SMEs.



# CONCLUSIONS AND AVENUES FOR FUTURE RESEARCH

**T**he recent productivity performance of the Moroccan private sector has been modest. In collaboration with OMTPE, this note leverages a micro-database to generate indicators that shed light on productivity trends and dynamics within Morocco's formal business sector. The analysis reveals several trends. Firstly, Moroccan businesses struggle to grow, develop, and challenge incumbents, which could contribute to the lack of dynamism in formal job creation. Secondly, the significant increase in the number of businesses, while positive, may not accurately reflect the underlying dynamics of the private sector, as it includes a large share of inactive but not officially deregistered companies. Thirdly, productivity growth has stagnated in recent years, largely attributable to the inefficient reallocation of productive factors, which have tended to be diverted to less productive firms. Furthermore, it appears that larger and more established firms are less productive than their smaller, newer counterparts, indicating potential deficiencies in the competition framework.

The underperformance of the private sector has major implications at the macroeconomic level. Economic growth has tended to decline since the

early 2010s and is now insufficient to meet the aspirations of wealth and job creation. This is largely because of the low contribution of productivity to growth. Over the long-term, productivity is the key determinant of countries' income level, implying that the implementation of policies and regulations that foster productive through innovation and efficiency enhancing investments should be a priority for the authorities. In this context of declining growth rates, labor markets are proving unable to absorb a fast-growing working-age population, resulting in a continuous increase in inactivity and unemployment, particularly among women and the youth. Improving private sector dynamics is critical to create formal jobs in Morocco.

The note has also identified several potential causes for the low productivity performance of the Moroccan private sector. These include the lack of a level playing field for Moroccan firms, general shortcomings in the business environment, and asymmetric access to key inputs such as finance, capital, and technology.

The OMTPE database consolidating various data from administrative sources provide a solid foundation for conducting analyses that can cast further light on the significance of these constraints

and the policies that could contribute to strengthen firm dynamics in Morocco. The World Bank and OMTPE teams have contemplated the following extensions to the analytical work described in this note:

- Examine the competitive landscape more closely, by analyzing market concentration and regulations and their association with the dynamics observed in the formal corporate sector.
- Conduct a disaggregation of the analysis presented in this note to identify variations in productivity and firm dynamics across sectors. This variation could then be linked to specific product market regulations, a systematic review of which is being launched by the World Bank.
- Examine in a more granular way the employment dynamics in the formal business sector by identifying the characteristics of the firms that are the most job creators in Morocco (notably women), analyzing how productivity trends at the firm level relate to job creation, determining whether more productive companies pay higher wages, and examining how the share of labor income in total value added evolved and what explains these changes.
- Use the OMTPE dataset to study the incentive framework resulting from specific public policies, including the structure of corporate income tax; tax incentives; support programs for firms, including active labor market programs; and the role of state-owned enterprises in key markets.
- Gather more granular data on the nature and quality of physical capital used by Moroccan enterprises. The ongoing technology adoption survey by the World Bank could help shed light on this point.
- Use the OMTPE dataset to delve into the root causes of the asymmetrical access to finance in Morocco, including why credit is not flowing to younger and higher-productivity firms.
- Identify factors that distinguish Moroccan firms that export, describe how their performance differs from that of non-exporting firms; analyze the relationship between exports and employment and wages at the firm level; determine whether foreign direct investment has contributed to better jobs and higher wages and/or served as a catalyst for other sectors by supplying components or inputs.



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# APPENDIX DATA USED IN THE ANALYSIS

TABLE A.1 • Data used in the analysis.

Data source	Description
OMTPME	Collection of firm-level microdata elaborated and maintained by OMTPE. Data are based on raw datasets obtained from several public agencies and institutions, which are then treated and elaborated by OMTPE in order to be used for economic analyses. Data providers for the OMTPE data include the DGI, the CNSS, the central bank, the Ministry of Industry and Commerce, the public agency for SMEs (Maroc PME), and OMPIC.
World Bank World Development Indicators	<ul style="list-style-type: none"> <li>• Database of aggregate statistics managed by the World Bank. The report uses the following series:</li> <li>• Aggregate and sectoral value added per worker: NV.IND.TOTL.KD; NV.SRV.TOTL.KD; NV.AGR.TOTL.KD; NV.IND.EMPL.KD; NV.SRV.EMPL.KD; NV.AGR.EMPL.KD.</li> <li>• GDP per capita: NY.GDP.PCAP.KD.</li> <li>• Growth accounting.</li> <li>• Credit to private sector.</li> </ul>
World Bank Entrepreneurship database	Database gathers information on number of limited liability companies in most countries in the world. It also records information on the gender of the owner and top managers of these firms.
World Bank Private Sector Dynamics Database (PSDD) Pilot	Global database of statistics on business dynamics and business sector productivity being developed as part of the Investment Climate Assessment 2.0 diagnostics project. It contains comparable statistics for several countries based on firm-level administrative or census data.

(continued)

TABLE A.1 • Data used in the analysis. (Continued)

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Data source	Description
World Bank Enterprise Survey data	World Bank–managed firm-level survey that is regularly implemented in every country in the world.
IMF World Economic Outlook	Global database of aggregate statistics managed and regularly updated by the IMF. It is used to inform the IMF's flagship <i>World Economic Outlook</i> report.
OECD Statistics	Database of aggregate statistics managed by the OECD, covering mainly OECD countries.

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