



Morocco: The Bases for a New Development Model? (I): The National Initiative for Human Development (INDH)

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Theme: The National Initiative for Human Development (INDH) was launched in Morocco in May 2005 to mobilise the country's institutional and financial resources to improve living conditions among the population and raise national social indicators.¹

Summary: The INDH puts Morocco's social issues at the forefront of the country's political priorities. Among its most positive features is that it has adopted a participatory approach, which involves civil society and local authorities in both planning and implementation. However, it is not clear how it fits in with a national development strategy and with the country's general economic policy, nor how it will help transfer greater political power and resources to local governments as the key agents in the current democracy-building process. This two-part ARI analyses the National Initiative for Human Development launched in 2005 and the *Report on 50 Years of Human Development in Morocco* (or "Fiftieth Anniversary Report") published in January 2006 –a wide-ranging socio-economic assessment of the fifty years since Moroccan independence– in order to assess to what extent they lay the groundwork for a new model of economic and political development for Morocco.

Analysis: Like all major government initiatives in Morocco, the National Initiative for Human Development (INDH) was announced in a royal speech on May 18, 2005,² in which King Mohamed VI acknowledged that social problems were 'the main challenge we must face to achieve our project for society and development'. He said that, based on 'objective data [...] large segments of Morocco's population and entire areas of the country live in conditions [...] of poverty and marginalisation incompatible with a dignified and decent life'. He expressly mentioned urban slums, illiteracy, low levels of school attendance, unemployment and exclusion.³ In his speech, the king assumed the State's responsibility to undertake 'social modernisation' through integrated public policies. At the same time, he acknowledged 'the importance of public participation to ensure the suitability and feasibility of the projects [...] building on the dynamism of the network of associations and of local development agents'.

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¹ This ARI is part of the work of the Maghreb Analysis and Monitoring Group (GASEM), led by Haizam Amirah Fernández.

² The text of this speech is available at www.mincom.gov.ma/french/generalites/samajeste/mohammedVI/discours/2005/discours%20pour%20la%20nation.htm

³ See *Vulnerabilidades socioeconómicas en el Magreb (I): Los riesgos del chabolismo en Marruecos*, and (II): *El reto del empleo*, ARI 36/2005 and 43/2005, Elcano Royal Institute, available at www.realinstitutoelcano.org/analisis/705.asp and www.realinstitutoelcano.org/analisis/715.asp

The three focal points of the INDH identified in the king's speech were: (1) to reduce the social deficit (both urban and rural) through better access to basic infrastructure and social services such as 'health, education, literacy, water, electricity, healthy housing, sewage systems, highway systems, mosques, youth centres and cultural and sports infrastructure'; (2) to promote income-generating activities and employment; and (3) to offer assistance to the most vulnerable social groups to help them emerge from their precarious conditions.

Finally, 'considering that it is physically impossible to guarantee complete, simultaneous coverage to all regions and all sectors', 360 rural municipalities and 250 marginal neighbourhoods or old quarters (*medinas*) were designated as priority beneficiaries and the prime minister was put in charge of developing an action plan for implementation.

Throughout 2005 the institutional arrangements for launching the INDH were designed and the first 1,104 projects were selected for priority action, with a total budget of 250 million dirhams (around €23 million). Ten billion dirhams (€925 million) were earmarked for programmes in 2006-10. Under the tutelage of the governors (*walīs*), Local Human Development Committees have been created in all provinces and in each municipality or neighbourhood concerned. These Committees are responsible for setting priorities (by developing Regional Precariousness Maps), selecting projects for financing, establishing the relevant institutional agreements and monitoring and evaluating project management. The Committees bring together the central government's so-called 'external services' (the regional delegations of the national ministries), although local authorities and economic and social agents also participate (by appointment of the *wali*). These initiatives are complemented at the national level by a cross-cutting programme that involves the creation of a Human Development Observatory, a network of experts, a national information and communications system and a series of training programmes for all involved partners.

The resources allocated for 2005 come in part from the national budget (50 million dirhams), in part from local authorities (100 million) and to a large extent from the Hassan II Fund for Economic and Social Development. This is a public agency directly responsible to the Palace, with a special budget line for infrastructure-building and job creation. It was established in 1999 as one of the last initiatives of the late King Hassan II, using the revenues from the granting of the second mobile telephone licence. For 2006-10 it is projected that local authorities and international cooperation will each provide 20% of the funds, while the State will provide the remaining 60%.

Priority for Social Development and Social Participation

The INDH unquestionably marks a turning point in Morocco's economic and social policy since independence in 1956. Apparently, it reflects a sincere desire on the part of the Palace to make social development a priority. It seems that fifty years after independence, it is admitting that its legitimacy cannot rest entirely on factors such as religious authority, the historical continuity of the monarchy or 'territorial integrity', but that the legitimacy of the monarchy must also be linked to the living conditions of the people. In the King's speech, a revealing clue in this direction was provided in his express reference to the idea that 'any exploitation of social misery for political purposes or to feed extremist fervour or to nurture a feeling of pessimism, defeatism or desperation [...] is morally unacceptable' in a country where, alas, political Islamism is increasingly emerging as the main real political alternative and where a large majority of young people count mainly on their chances of migration to find economic opportunities and fulfil their hopes and expectations for the future. This new social priority has also re-established balance in an economic policy which, since 1983, has focused all its efforts first on structural adjustment programmes (successfully controlling inflation, stabilising the exchange rate, controlling the public deficit and managing foreign debt), then on economic liberalisation and privatisation, and

in the last five years on free trade (by establishing free trade areas with the European Union, the US and other groups of countries as the centrepiece of its development strategy), all at a substantial social cost that has largely been ignored so far.⁴ In this regard, the INDH expressly adopts a human development perspective and philosophy, and puts an end to what the Fiftieth Anniversary Report calls a policy of 'growth without development'.

A second very positive feature of the INDH is its participatory methodology: the formal and real involvement of civil society at the local level, and the integration of all local political, economic and social agents in a single process. Also, an attempt has been made to establish a relatively transparent procedure for setting priorities and selecting projects, with public tendering for the submission of projects open to local groups, professional organisations, trade unions, cooperatives and associations as executing agencies. This is something quite new in Morocco, and no doubt over the middle term it might contribute to developing local capabilities and facilitate a process of bottom-up democratic consolidation. To be eligible, projects must generate income, improve access to basic services, involve social and cultural activities or strengthen local capacities and governance. The executing agencies are called on to co-finance the projects. This process should lead to the selection of projects before the end of April of each year.

However, these positive features do not put to rest certain doubts and questions surrounding the INDH, particularly in terms of how it fits into a more general national development strategy and into the process of transition to democracy now underway in Morocco.

Resources for Development

To begin with, the resources mobilised for the INDH are clearly insufficient for an initiative that sets out to tackle Morocco's enormous social problems, including illiteracy that affects 50% of the adult population (the highest in the Arab world, together with Yemen), high infant and maternal mortality rates, 2 million children who do not go to school, the 14% of the population that lives on less than 1 dollar per person per day, the 1.7 million Moroccans who live in shantytowns and the three million jobs that will have to be created by 2010 simply to absorb the increase in the working age population, not to mention completing the country's electrical and water supply systems and other infrastructures. Although Morocco is a middle-income country (US\$1,520 per inhabitant in 2004), its social indicators correspond to those of a less developed country. This is reflected in its 124th-place in the international ranking on the UNDP human development scale, behind all Arab countries except the Sudan, Djibouti and Yemen. In fact, in the past ten years its relative position in terms of human development has worsened, dropping from 117th-place in 1995. By contrast, Morocco is 108th in the world in terms of per capita income. This, compared to its human development ranking, reveals a poor social transformation equation of wealth into prosperity.

In this respect, the INDH leads to the important question of whether Morocco's national resources are sufficient to deal with these challenges: for instance, simply to eradicate the 350,000 slum dwellings that already exist according to official statistics would require at least €2.8 billion and €800 million a year would be needed to eliminate the annual deficit in housing construction estimated by the Moroccan authorities themselves (40,000 housing units a year, which is estimated to be the annual rate at which shantytown dwellings proliferate).

⁴ See Iván Martín (2004), 'The Social Impact of Euro-Mediterranean Free Trade Areas: A First Approach with Special Reference to the Case of Morocco', in *Mediterranean Politics*, vol. 9.3, Frank Cass, p. 422-458. Available at www.eco.uc3m.es/immartin/SocialImpactMediterraneanPolitics.pdf

Perhaps aware of the political constraints that prevent a substantial increase in the European Union's development cooperation with Mediterranean countries (Morocco now receives just under €150 million a year in EU aid, about half for social projects and half for structural adjustment projects or projects to support the creation of a Euro-Mediterranean Free Trade Area), Rabat seems to be putting great hopes on the Millennium Challenge Account established by the US in 2004, with a provision of US\$1 billion in 2005 (the goal is to reach US\$5 billion a year starting in 2006) to finance projects related to the Millennium Goals in about twenty countries, including Morocco since 2005 (as the first and, to date, only Arab country).

As for Spanish cooperation, the Country Strategy 2005-08 prepared by the Spanish Agency for International Cooperation (AECI) for Morocco (one of a total of 23 priority countries identified in the Master Plan for Spanish cooperation published in 2005) fully shares this approach and expressly supports the INDH. Its priorities coincide fully with the INDH philosophy: coverage of basic social needs, democratic governance, promotion of the economic and business fabric and gender and development issues. So a well-focused response through cooperation could help to make the INDH more instrumental in Morocco's current political and economic transition, and make sure that improvements in the coverage of basic needs are accompanied by some headway towards democratic governance, not only in terms of citizen participation, but also of institutional development, especially at the municipal level. It could also help ensure a balanced and sustainable development of the economic fabric to absorb the huge job creation needs in the coming ten years. Nonetheless, despite common goals and the sustained increases in the volume of Spanish cooperation in Morocco in the last few years, consideration should be given to whether the current level of cooperation corresponds to the economic capacity of a developed country like Spain, to the important strategic value of social stability and development in Spain's southern neighbour, and to Morocco's real human development needs, despite being a middle-income country.

INDH and Development Strategy

The second question raised by the INDH is how it fits into the framework of Morocco's national development strategy. In this respect, it is revealing that the planning, management and implementation of the INDH have not been entrusted to the Ministry of Finance, which supervises all economic and budgetary affairs, nor even to the Ministry of Social Development, Family and Solidarity (which suffers from considerable institutional fragility), but rather to the provincial governors, who are responsible to the Ministry of the Interior (although strategic supervision at the national level formally corresponds to an inter-ministerial committee chaired by the prime minister). The materials prepared by the Moroccan administration to promote the INDH refer to the 'pivotal role of the *wali*' and state that 'the ways that the INDH will be implemented are an indication of the shape of the Administration of the future'.

Nor does the INDH appear to mesh with the national employment strategy: although the latest (2005) *Assises Nationales de l'Emploi* (National Employment Conference, the second since the one held in December 1998) made certain references to the INDH, it was not explained how or to what extent the INDH projects will contribute to job creation (the National Agency for the Promotion of Employment and Skills –ANAPEC– created in 1999 has no institutional role in the framework of the INDH), nor what their contribution will be to the economic growth rate which, at an average of 3.5% over the past three decades, is clearly insufficient to absorb the increase in the active population expected in the coming years. Neither has any express linkage been established between the INDH and Morocco's strategy of trade liberalisation and industrial development aimed at converting Morocco into a world class manufacturing hub, nor with the industry-level strategies for developing competitiveness and attracting foreign investment in different sectors promoted by the Ministry of Industry, Trade and Economic Modernization.

A further consideration is the methodological approach used by the INDH, which is to be implemented exclusively through specific projects. The project-based approach obviously has the virtue of producing tangible results in relatively short periods of time, is easily evaluated and monitored, and 'fills in' gaps in the country's economic and social infrastructures; however, it is not clear that this is enough to generate an endogenous development process. Rather, it may simply be a way to mitigate the social exclusion generated by the market and lack of development, without providing a long-lasting solution to the problem of rural and urban poverty. There is a risk that this approach will lead to a certain dispersion of efforts and will not generate an endogenous, integrated and sustainable development process. Also, although the INDH is putting special emphasis on inter-regional equity, with a distribution formula that guarantees distribution among all the regions in the country, it is not clear how the articulation and coherence of the projects undertaken in the different administrative regions of the country is guaranteed.

In other words, the INDH appears to be somewhat conducive to splitting the Moroccan government's development strategy between economic policies aimed at guaranteeing macroeconomic stability, boosting growth and favouring Morocco's international economic integration, and social policies aimed at guaranteeing an acceptable level of social cohesion or at least mitigating social exclusion (this being considered a national security issue). The INDH takes an approach that focuses more on social impact and social indicators than on the development process itself, or on social development as a structural component of growth and endogenous economic development. In this sense, it could be argued that the 'growth without development' policy, whose failure is highlighted in the Fiftieth Anniversary Report, runs the risk of being followed by an equally unarticulated 'development without growth' policy that lacks a clear linkage between the microeconomic projects that make up the INDH and the general macroeconomic policy. This split could foster the already endemic duality between a modern, dynamic and competitive Morocco and an economically and culturally backward Morocco that lacks opportunities and depends on outside help. Under these circumstances, although the INDH may help raise the standard of living of the most unfavoured social groups, it will not necessarily contribute to the 'process of expanding people's choices', which is the basis of human development.

INDH and the Democracy-building Process

At the political level, it is revealing that, just as Morocco proclaims its desire to decentralise and to transfer power to the municipalities (as the political authority closest to ordinary citizens), a major project such as the INDH has been structured vertically around the highest national government authority in each province, rather than being structured around elected local authorities. Although the royal speech called for the government to 'take steps to listen to and work together with all active players in the country, including political parties, trade unions, local groups, civil society organizations and the private sector', the implementation of the initiative has been entrusted to the prime minister and the central government. In the jargon commonly used by Moroccan analysts, this process of administrative decentralisation without political devolution leads to considerable dysfunction. While the participatory approach will very likely help foster the growth and activity of local associations and will help strengthen the administrative capabilities of local authorities, the institutional structure of the INDH does not facilitate a real transfer of political power and competences to the local level.

Therefore, although the participatory approach of the INDH ensures a broad-based social consultation process that will channel the influence of local authorities (particularly in terms of their political leverage and technical capabilities), the INDH does not alter the existing imbalance between the growing functions and responsibilities granted to local authorities and the lack of a corresponding transfer of real political power, or of access to

and control of financial resources, as can be seen in the INDH's financing systems. This lack of budgetary capacity on the part of local authorities, combined with the central government's continued control of the resources received by the local authorities has become a serious obstacle to the consolidation of their political autonomy.

Conclusion

Human Development Without Political Empowerment?

In summary, the National Initiative for Human Development is unquestionably a landmark in Morocco's recent economic and social history, inasmuch as it gives top political priority to people's living conditions and their access to basic social infrastructure and services. After two decades of focusing almost exclusively on macroeconomic adjustment and market liberalisation, Morocco has now adopted a human development philosophy with a participatory approach, vis-à-vis both local political authorities and civil society. However, its financing methods and institutional structure raise questions as to how much it will foster the democracy-building process at the local level, since a prerequisite for this process is a real transfer of decision-making power and resources to municipal authorities, not merely the building up of a 'consultative democracy'. Neither is it clear how the INDH fits into a national development strategy or how it meshes with the general economic policy, particularly in terms of trade liberalisation. It appears that it may limit itself to providing a 'safety net' to mitigate the enormous social deficit and the social consequences of economic policies, making it an initiative leading to a kind of 'human development without development'. The excellent Fiftieth Anniversary Report, published in late January 2006, with an exhaustive socio-economic assessment of the achievements and failures since Moroccan independence (to be dealt with in the second of the two ARIs in this series), appears to confirm some of these concerns.

The magnitude of the social challenges facing Morocco, the imbalance between its middle-income status and its social indicators (which correspond to those of a less developed country), as well as Spain's key strategic interests in the country, make the INDH an excellent opportunity to contribute to social stability in Morocco, to demonstrate that both Spain and the EU consider Morocco a priority country and to influence the country's current political and economic transition.

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