

## **INDUSTRIAL ZONES EXPERIENCE IN MOROCCO**

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Towards the end of the 1970s, Morocco launched an important programme for industrial zone development, which was likely to be supported by the State. But owing to structural changes that affected the economy at the beginning of the 1980s which involved the implementation of structural adjustment reforms, and because of administrative and institutional bottlenecks, the programme did not really achieve its objectives. Nowadays, Morocco suffers from a shortage of well-equipped industrial sites. A new approach of industrial estate development is being put in place, supported by international organisations and based on the involvement of the private sector in this field.

### **1. DEFINITIONS AND CONTEXTS**

Industrial zones, technoparks, industrial parks and industrial free zones for exports are typical forms of territorial organisation in the historical trajectories of industrial development which need to be replaced in their respective contexts. Definitions of these concepts are fundamentally linked to these contexts.

1) The concept of industrial zone appears initially in the economic context of the rapid industrial growth experienced by industrialised countries after the Second World War. The first official industrial zones in western Europe emerged during the reconstruction period and met two major concerns:

- The first concern is of an economic nature, as industrial zones are conducive to rapid industrial growth;
- The second concern, which is of territorial interest, is related to urban development policy which meets the main prevailing urban doctrine of the period, i.e., functional zoning or separation of industrial areas from other types of territorial occupancy (housing, business centres, green spaces, etc.). For these purposes, agglomeration of industrial activities within the same

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delimited area is likely to generate external economies and will be conducive to more interlinkages between firms.

It is of great importance to recall first the content of the notion of industrial zone. Actually, it is necessary to distinguish between two types of industrial zones.

An industrial zone «in fact» or «de facto» refers to a concentration of industrial units on a demarcated territory which - following the setting up of facilities - may give rise to an industrial zone. Some of the characteristics of this kind of zone are:

- inexistence of a development plan, which would be established prior to the setting up of plants;
- inexistence of a prime contractor;
- the development of infrastructure after the setting up of plants.

Major industrial zones in Casablanca and in other towns in Morocco are of this type. One of the most significant cases in this field is the Moghoga industrial zone in Tangier.

The second notion of industrial zone to which we are referring in this paper is the «official» industrial zone which refers to a set of sites - demarcated eventually in an extensive sense - within a purposeful policy (i.e., planned zone), brought together to facilitate the setting up, operation and growth of plants.

One of the main functions attributed to industrial zones is that of allowing - at least in principle - the setting up of plants with a view to their complementarity or their linkage effects.

2) The concept of technopark arises in a global context which is characterised, since the beginning of the 1980s, by deep structural changes in the organisation and configuration of productive systems, and especially of industrial productive systems. These changes are taking place in the specific context of globalization, with this fundamental dimension, that the essential of global transactions are being made within the «Triad» pole, especially in the form of intrasectoral trade.

The second dimension characterising this evolution is the financial globalization, involving a surge in financial transactions amounting to \$1.500

billion a day compared with \$4,500 billion a year, of manufactured transactions.

Thus, we have been witnessing the emergence of new global competitiveness forms, where technology and innovation are playing the core role. These structural changes are a matter of uncertainty in most industrialised countries and a source of risk and high exposure for many developing countries (including Morocco). The global competition is then imposing new forms of economic (industrial) and territorial organisation, which must be compatible with the current requirements of the economic global system, based on more competitiveness and free trade. Technoparks, in this context, appear as appropriate forms of territorial organisation of industrial productive systems.

The technopark can be defined as “a territory platform for the development of the productive system, with appropriate conditions to innovative activities operation which are based on the integration of knowledge and know-how in productive processes. Activities are therefore of a high technology nature and conducive to high value added production. This system involves proximity and interactive exchanges among the main actors, thanks to human resource organisation and co-operative structures allowing a collective learning process”.

Successful experiences in this field rely on public and local policies stemming from territorial communities and aiming to create a propitious environment to technology creation and diffusion.

With regard to their position and status in the productive systems, industrial zones and technoparks differ in nature and in objectives. They also differ in their development styles. Technoparks present specific characteristics:

- privileged location (generally at the junction of main means of transport);
- very large sites with an ecological dimension (integration of natural parks, etc.);
- low-density of site occupancy (around 30 per cent);
- specific architectural design;
- comprehensive facilities and high extent of utilities;

- high level of provision of a service;
- implementation of high informational value added activities, etc.

## 2. EVOLUTION OF ECONOMIC POLICY

### 2.1. Retrospective analysis of growth: generation of economic instability (1973-1982)

Morocco has made significant progress towards building an important industrial structure during the last three decades. The process began especially during the five-year plan 1973-1977, which gave priority to the manufacturing sector. Growth performances were supported by an unprecedented financial outlay, especially the one emanating from the State. Actually, from an initial investment volume of Dh 26 billion, of which 42.5 per cent were public charges, 37 per cent were assigned to manufacture, in comparison with 17 per cent to infrastructure and 16 per cent to agriculture, and owing to an exceptional rise in rock phosphate prices in 1974, the overall investment volume was raised to Dh 53 billion, of which the State was responsible for nearly 50 per cent. This amounts to fourfold the investment budget for the previous five-year plan.

Supported by new incomes derived from phosphate exports, a sustained growth in the manufacturing sector has been recorded at a rate of 6.5 per cent per year over the 1971-75 period and 5.2 per cent for the subsequent period (1976-80).

Nevertheless, as the sector of «Administration» has recorded an important rate of growth - that is to say, 6 per cent and 13.4 per cent for the same respective periods - budgetary distortions and other economic imbalances were not long in coming, involving a deep crisis which was openly revealed in 1982.

Other major factors have contributed to the deterioration of the economic situation during the 1970s, and can be appreciated in the trend of fundamentals at that time:

- the general downward trend in the price of phosphate on the international market;
- the negative impact of the two oil shocks: increase of import expenditures, and fall in the coverage rate of oil imports expenditures by phosphate exports revenues, which except for 1974 and 1975, dropped from 501 per cent in 1970 to 52 per cent. In the same way, oil imports which amounted to 6,5 per cent of total import expenditures in 1973, went up to 27,2 per cent in 1982;

- the increase in military budget owing to the national defence effort.

The economic commitment of the State grew stronger since the beginning of the 1970s. If the participation in the industrial sector was then relatively limited - 30 companies - the involvement became more important thanks to the massive and increasing external borrowings, on the one hand, and the morocanisation process, on the other. During this period, the industrial process was based on capital-intensive investments, especially in the public sector. The 1973 industrial Code, with its specific incentives, reinforced this tendency. Large industrial substituting plants have been implemented since then (or extended, for those already existing), especially in the chemical sector (cement) and agro-industry (sugar, beverages, etc.). Important public industrial complexes of fertilisers have been built for export purposes.

## **2.2. Stabilisation and Structural Adjustment Programme: The IMF's decade (1983-93)**

Structural difficulties, which began to arise at the end of the 1970s and were aggravated by the change in the international economic situation following the restructuring of the global economy characterised by an increasing process of deregulation and liberalisation, placed the Moroccan economy in a critical situation, necessitating deep reforms so as integrate it into the global economy and its new standards and to adapt the productive structures to the new context of globalization.

In view of the sharp crisis in the whole economy and the failure of the early but timid measures of stabilisation, Morocco opted in 1983 for a Structural Adjustment Programme (SAP) which was initiated by the International Monetary Fund.

The principles on which the SAP is based are in keeping with the general pattern of a monetary approach to economic policy. Actually, adjustment policy is concerned with two main types of measures: short-term "stabilisation" with which IMF stand-by agreements are usually associated, and medium-term "structural reforms" which are supported by structural adjustment loans from the World Bank. For Morocco, the aim of the SAP was mainly to "rationalise" the public budget management system, on the one hand, and the efficiency and competitiveness of the economy, on the other, thanks to a better resource allocation.

Overall, the programme has followed a regular and progressive trajectory as concerns the use of recommended measures. In the first step (1983-85),

emphasis was put on achieving the stabilisation objectives by acting on budgetary imbalances and the balance of payments disequilibria. Concurrently, the preparation of the intervention framework for structural reforms was initiated. In the second phase (1986-93), focus was put on actual adjustment efforts, which were essentially based on fiscal and commercial frameworks. The main measures and actions concerning economic policy undertaken during this period may be reviewed in Table 1.

Undeniably, the impacts of such economic measures were positive as concerns the restoration and/or improvement of many economic indicators, i.e., inflation rate, budgetary imbalances, external debt service ratio, foreign exchange reserves, etc. Nevertheless, other environment variables had contributed to a large extent to this improvement: better rainfall, petroleum price, partial debt cancelling vis-à-vis some Arab countries and donations, etc.

Table 1: Main economic policy reforms

Trade policy	Price & wages	Fiscal policy	Monetary & credit policy	Foreign exchange policy
<ul style="list-style-type: none"> <li>- Progressive removal of non-tariff barriers since 1984.</li> <li>- Elimination of C list (prohibited products) and extension of A list (free) in comparison with B list (subject to licence); in 1993 A list contains 90 per cent of items in comparison with 38 per cent in 1983.</li> </ul>	<ul style="list-style-type: none"> <li>- Progressive elimination of subsidies for some consumer goods (cereals, sugar, milk, butter) and semi-finished products (cement, chemical fertilisers, some petroleum products); in 1997, removal is effective (except for sugar, edible oil &amp; flour) but liberalisation process is under way.</li> <li>- Restricted hire in public sector with pressure on public real wages.</li> </ul>	<ul style="list-style-type: none"> <li>- Restrictions in budget expenditures (operating &amp; investment) and increase in revenues.</li> <li>- Fiscal reform introduced in 1986 (VAT, IGR, IS etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Liberalisation of interest rate</li> <li>- Progressive elimination of control credits.</li> <li>- Significant reduction of lower limit securities.</li> <li>- Modernisation &amp; liberalisation of financial sector (1993 Bank Law).</li> </ul>	<ul style="list-style-type: none"> <li>- Devaluation &amp; slipping of Dh</li> <li>- Progressive removal of constraining rules for foreign exchange control.</li> </ul>

What about industrial performance then?

### 3. EVALUATION OF INDUSTRIAL SECTOR PERFORMANCES

#### 3.1. Global performance

Many of the main characteristics of industrial growth can be summarised as follows:

- Overall, the industrial sector<sup>1</sup> experienced a moderate pace of growth. The 5.4 per cent annual average growth rate (AGR) for the period 1981-1994 could not constitute an impetus for a dynamics of the industrial sector likely to turn this sector into a real development vector as is the case in many Newly Industrialised Countries (NICs). As a matter of fact, the relative contribution of the manufacturing sector to GDP did not improve significantly for a long period of time.
- In other respects, in spite of irregular annual growth rates, a general downward trend is observed:

1981-88: 7.3 per cent

1988-92: 4.2 per cent

1992-94: 1.4 per cent

- Over the last fifteen years, industrial growth was extensive. It was essentially based on higher job creation, rather than an increase in labour productivity.
- As a consequence of the preceding observation, labour productivity is deteriorating in real terms (see Table 2).
- One of the main causes of deterioration in labour productivity is the massive and progressive recourse to seasonal or occasional employment in comparison with stable employment. The share of the former in total employment has progressed as follows:

1976: 10,1 per cent

1980: 14,2 per cent

1989: 26,2 per cent

1994: 18,0 per cent

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<sup>1</sup> We are dealing here with processing industry, i.e., enterprises with at least 10 permanent jobs, or those with a lower limit of Dh100,000 of turn-over, in accordance with the Ministry of Industry's definition and statistic.



As a result of this situation, real wages in industry have been experiencing a relative decline over the 1981-94 period.

All these considerations are characteristic of structural distortions in the industrial sector since the SAP was set up. Actually, the prevailing view within the official approach has attached the greatest importance to the budgetary component of economic policy. The search for competitiveness - in its strict meaning - was considered as based on cost compression, and especially those which were much more under the control of employers, i.e., wages. There is actually a correlation between the rate of growth of the two variables: wages, on the one hand, and the size of seasonal employment, on the other. The latter, for its part, represents a serious obstacle to productivity improvement which, in turn, and considering the weakness of the accumulation process, did not induce a real efficiency in resource allocation and, hence, in industrial system organisation. These main conclusions may be illustrated in figures and charts hereinafter:

Table 2: Evolution of global industrial indicators

Indicators	1981- 88	1988-92	1992-94	1981-94
Value added	7.3	4.2	1.4	5.4
Employment	6.9	5.4	0.9	5.5
Productivity	0.4	-1.1	0.6	-0.1
Mean wage	0.4	2.7	1.1	-1.6

Source: Prepared on the basis of MCIA data.

### 3.2. Sectoral performance

Industrial sectors have evolved at different rates of growth as can be seen in Annex 1. Base metals, electrical and electronic materials as well as some components of agro-industry were among those which experienced a specific dynamism as concerns both AGR and labour productivity indicators. If we consider the value added and employment AGR, «clothing» is certainly the one that recorded the highest rate of growth, which places it as the main sector in the industrial structure. So, from 1981 to 1994, around 40 per cent of new job creation in industry pertains to this sector.

In spite of its large size, the clothing sector is relatively concentrated since less than 20 per cent of enterprises (employing more than 199 persons each)

realised about 60 per cent of overall turn-over in this industry. It is also the main export-based sector.

Two important features of industrial policy must be emphasised as concerns the main orientation of industrial development:

1) The first relates to the import-substitution process which characterised industrial policy in the first phase of development until the beginning of the 1980s. Many industries improved their domestic production ratio. This was the case in agro-industry, clothing, textiles and leather as well as in some chemical branches. Those with low ratio were precision instruments, base metals and equipment materials (see Annex 2).

The process of substituting industrialisation has been made possible thanks to a high public protection, using a very restrictive external trade policy (high tariff and non-tariff barriers), so as to shelter the Moroccan industry from international competition. For this purpose, and in spite of incentives to develop capital intensive sectors (as provided for in the 1973 industrial investment code), there is no real capital goods industry and hence inter-industry linkages did not proliferate backward, contrary to what has been observed in many NICs.

2) The second feature of the industrialisation process is the recent export orientation which especially occurred with SAP implementation. This orientation, which began timidly during the mid-1970s, received impetus since the beginning of the 1980s.

In 1969, only 13.2 per cent of total manufactured products were exported, and in 1980 this share did not really get higher (13.8 per cent). Since then, the export effort has improved and the export ratio was around 24 per cent in 1994.

Export performances are different from sector to sector. Those with the highest export ratio are:

- Clothing	: 93.6 per cent
- Leather and leather goods	: 58.3 per cent
- Chemical and paracheical goods	: 35.1 per cent
- Textiles and knitted goods	: 34.6 per cent
- Other food industry (incl. canned food)	: 28.6 per cent

On the whole, consumer goods present higher export ratios except for some food industries such as flour mills, sugar refineries, oil refineries, dairy industry, etc. This industry which experienced a real progress in substituting

local production to imports is at present, confronting the stake of liberalisation, especially that these sectors were previously subsidised to a large extent.

Conversely, the canned food sector is outward-looking and presents very high export ratios: 78.3 per cent for fruit and vegetables and 82.3 per cent for canned fish. These two sub-sectors, which constitute about 93 per cent of sectoral global exports (i.e. the sector named “other food industry”), represent 17.4 per cent of manufactured exports. Geographically, this industry is relatively concentrated in some areas (Agadir, Taroudant, Tan Tan, Safi, Marrakech, Kénitra, Larache).

Figures in Annex 3 are of high interest because they bring out industrial export performances at global as well as at sectoral levels. They actually stress the evolution and position of each sector in the whole structure of the exporting industry and they reveal a significant progress towards better integration of many sectors into the world economy.

Finally, Morocco has been making progress towards becoming an open economy. If this process of liberalisation is irreversible, it will govern future growth prospects for the manufacturing industry, even if serious progress is made only to modernise and level it up. To induce efficiency in the economy, this process requires higher interlinkages between sectors and a real impetus for better productivity. This will allow Morocco - through force of circumstances - to face the future free-trade area with the European Union and other global competitors in a better economic position.

### **3.3. Geographic Distribution of Industry**

Trends observed in the matter of industrial decentralisation since 1971 - when “Economic Regions” were established - are slight. Actually, both the central and northwestern regions were until now the major areas for industrial deployment. As can be seen in Annex 4, their share in the total employment accounts for 75.8 per cent in 1994 in comparison with 80.5 per cent in 1980. The slight decline in the central region has been partly offset by the improvement in the other regions. In terms of value added generated by industry in these two areas, the proportion is as high as for employment: 79.4 per cent.

Public intervention through state-owned enterprises has largely contributed to prevent a higher concentration especially in Casablanca, the main industrial pole in Morocco. On the whole, the southern and eastern regions have slightly improved their share in total employment which

increased respectively from 2.5 per cent and 1.2 per cent to 5.1 per cent and 2.4 per cent over the 1980-1994 period. As concerns the other regions, they maintained their relative shares.

As regards the importance of value added, a high concentration ratio is generated especially in the central region since its share accounts for 60.2 per cent, revealing a higher labour productivity in this region in comparison with others. The main explanation lies in the industrial structure which is characterised by larger plants and higher capital intensity.

At the provincial level, Greater Casablanca dominates, since 47.8 per cent of total employment and 52.5 per cent of stable employment are located in this only one agglomeration. The other cities are of lesser importance.

To conclude, we must say that, to some extent, public policy as concerns decentralisation and regional pole promotion has actually boosted growth in some regions thanks to direct intervention, i.e., the setting up of state-owned industrial complexes.

The development of industrial zones policy, on the other hand, is another modality of indirect public intervention in the process of industrial regionalisation. If the impact in this field has been undeniable, it is nevertheless the case that the main objective of regionalisation was not really achieved (Sefrioui, 1989).

Distortions that characterise the inter-regional configuration of industry are also of great importance at the intra-regional level. In the Centre region, Casablanca and its suburbs concentrate more than four-fifths of regional value added as well as employment. Nevertheless, during the last decade, two new industrial estates have emerged: El Jadida, on the one hand, and Settat-Berrechid, on the other. In other regions, the situation is quite the same except for the northwestern region, which is characterised by a relatively balanced industrial and urban composition. Long-term regional development prospects in this region are, therefore, at least of equal, if not of greater, importance.

### **3.4. Size of industry**

In terms of size of enterprises and firms, the distribution of the manufacturing industry is quite uneven. Actually, the average employment per firm is about 72 for total employment and only 58 for stable employment. But when looking at a typical size, the median is only 20, which reveals great distortions that characterise the industrial productive system.

Micro and small firms are predominant in industrial composition since they represent respectively 29 and 41 per cent of the whole industry, but their contribution to production is very weak, that is to say, 1.7 and 12.1 per cent. Table 3, which gives the main indicators for each class of employment, is significant of the high concentration ratio which characterises the industrial structure in Morocco. The situation in the export industrial sector is quite the same (see Annexes 3 to 6).

The development of SMEs is getting greater importance following the SAP reforms, and it has been corresponding to changes that affect the capital cost in comparison with the previous period. Actually, as has been indicated above, with negative real interest rates from 1971 to 1985 (with 1982 being an exceptional year), bonus on bank credits allowed to investors in the 1973 Investment Code, tax exemptions on capital goods imports, in addition to the overvalue of the Dirham against other currencies and particularly the US dollar, imports of capital goods favoured capital intensive industry development as capital cost was low. Structural changes, which appeared at the beginning of the 1980s, have imposed a new turn in accordance with a market-based economic policy.

Table 3: Industrial firms: main indicators for different classes of employment - 1995

Items	Micro 1-9	Small 10-49	Lower medium 50-99	Upper medium 100-199	Large ≥200	Total
Firms (NB)	1.812	2564	773	559	551	6.259
Firms (%)	29.0	41.0	12.4	8.9	8.8	100
Production 10 <sup>6</sup> Dh	2.162	15.769	15.704	20.512	75.889	130.036
Production (%)	1.7	12.1	12.1	15.8	58.4	100.0
Mean 10 <sup>3</sup> Dh	1.193	6.150	20.315	36.695	137.730	20.775
Median	530	2.268	10.191	17.824	47.463	2.484
1st quartile	243	1.055	4.656	7.564	18.419	720
3rd quartile	1.039	6.017	22.497	38.754	123.938	11.054

Source: Prepared on the basis of MCIA data.

The existence of large firms is responsible for the high concentration ratio observed in the manufacturing industry, especially in some sectors such as base metals, tobacco, fertilisers, phosphoric acid, sugar refineries, etc., where public participation is of particular importance.

In 1992, just before the privatisation process was implemented, the weight of public enterprises in the whole manufacturing industry was as follows:

Table 4: Main characteristics of state-owned enterprises

Sector	Nb Enterp	%	Employment	%	Turn-over 10 <sup>6</sup> DH	%	Export 10 <sup>6</sup> Dh	%
Agro-industry	37	2.5	11216	20.0	13841	32.7	355	6.2
Textiles/ leather	10	0.6	6156	3.7	1527	7.2	443	3.8
Chemicals	28	1.7	13146	16.4	13960	33.8	6968	80.7
Equipment & materials	15	1.9	5666	15.2	5852	29.6	766	53.9
Electricity & electronics	4	2.8	210	2.0	59	1.3	0	0.0
Total	94	1.6	36394	10.4	35239	27.3	8532	29.7

Note: Percentages relate to sectoral participation.

Source: Prepared on the basis of MCIA data.

The contribution of the public sector to the economic process of development was especially visible in the regional equilibration process, since it allowed underprivileged areas such as the eastern one, to valorise, to some extent, their potential and generate jobs and incomes. It constitutes in other respects a major preoccupation for the State, which aimed at a partial or complete control of strategic sectors.

#### 4. INDUSTRIAL ZONES DEVELOPMENT POLICY

The industrial zone issue in Morocco lies at the junction of two major concerns over the territorial organisation system:

- The first concern is related to industrial location within regional estates. The point of departure of this approach is, then, to alleviate large concentration of industrial activities in limited regions - as is the case in the central region in Morocco. The objective is to operate a decentralisation which will be likely to stimulate the economic and industrial composition of all regions.
- The second concern relates to the organisation of urban areas and hence to the urban planning issue. In these conditions, the development of industrial zones is related to the actual growth of the city.

The development of industrial zones can be considered as an instrument of great importance with regard to economic and industrial planning. At present,



the National Programme, which was initiated at the end of 1970s, comprises more than fifty industrial zones, in addition to those in a survey phase.

These zones have been set up so as to support SMEs deployment. In addition to attractiveness, other objectives were attributed to industrial zones in the programme:

- to address the problem of unemployment confronting the urban areas thanks to job creation and hence to improve the living standards of the population thanks to revenue generated by new plants;
- to use and valorise the potential of each region, especially in those which are relatively well endowed with natural resources (agriculture, fishing, etc.) and where much of this wealth remains underexploited;
- to alleviate the dependency of each region vis - à vis other regions;
- to allow public communities to improve their tax revenue which will enable them to enhance their local development as provided for in the administrative decentralisation charter (Charte communale de 1976).

Practically, the main issue is to provide manufacturers with well-equipped sites at preferential prices. For doing so, the State, through developer organisations, undertakes to acquire sites, to develop and equip them with all facilities, to subdivide the land and assign plots to beneficiaries.

In order to favour some underprivileged towns, an investment code has been issued in 1983, awarding incentives and grants according to a geographical zoning:

- Zone I: Casablanca Anfa.
- Zone II: Other prefectures of Casablanca and Province of Ben Slimane.
- Zone III: Rabat-Salé, Agadir, Fès, Kenitra, Marrakech, Meknès, Safi, Tanger, Tétouan.
- Zone IV: Other provinces.

In the industrial decentralisation prospect, Zones I and II were excluded from 1983 Investment Code incentives on the occasion of creation of new enterprises, except for small and medium scale enterprises (Zone II) and under some conditions, for manufacture exporters. In addition to the main incentives that consist in tax exemptions, the State allows subsidies on the land cost in approved industrial zones, which vary as follows:

Stable jobs generated	Zone III	Zone IV
30 to 99	25 per cent	50 per cent without any condition as regards the importance of job creation
100 to 200	30 per cent	
201 to 400	40 per cent	
> 400	50 per cent	

Another incentive that is worth mentioning is specific to small and medium scale enterprises<sup>2</sup> and concerns a grant of 5000 dirhams per stable job created, on four consecutive years of activity, following the administrative agreement on the investment programme<sup>3</sup>.

#### 4.1. Actors of development in industrial zones

The development of industrial zones brings many actors together, each with a specific well-defined role in the development of industrial zones (State, local community, landowner, developers, financing organisations, manufacturers, etc.), with contradictory logic that often makes the process of development more complex.

Different relations are established between the main actors on the occasion of development operations. Nevertheless, the main role is devoted to developers who have a core position as privileged interlocutors towards others actors.

In so far as we consider industrial zones as «public facilities», the developer appears in these conditions as a public facility developer whose role consists in acquiring sites, equipping them according to technical standards which are specific to such operations, subdividing the land and then transferring plots to manufacturers.

Actually, the status of the developer varies: it can be public, semi-public or private. In France and other industrialised countries, the organisations responsible for the development of industrial zones are, in addition to the state, the local councils, chambers of commerce, group of communes, railway companies, etc.

<sup>2</sup> The definition of SME refers to enterprises with investment capital less than Dh5 million and an investment cost per worker which does not exceed Dh70.000.

<sup>3</sup> Actually, this premium has never been paid off to enterprises.

In Morocco, the contracting authority for industrial zone development is different from zone to zone. At the beginning of the 1980s, when the national programme of industrial zones development was initiated, CDG has been chosen for the development of the first industrial zones because of its financial capability, its experience in the real estate field, especially for large tourist complex buildings and, above all, the inability of many local communities to set up such operations.

Besides, other organisations are responsible for development operations. These are the municipalities, whether a single local community or an association of local communities, communes, the Ministry of the Interior, the Ministry of Public Works (for industrial zones located in port areas, etc.), and since the mid-1980s other developers such as ERAC, SNEC, ANHI, AUC, ONDA have become important actors in the development of industrial zones. Most of these organisations intervene in the development of industrial zones, because they have large capital in hand and they were asked to develop industrial zones - the local communities have a lack of resources for this type of intervention. In addition, IZ development was logically designed in line with the local programmes of some of these organisations in the field of real estate development (ERAC, SNEC, ANHI, etc.) in different centres.

One of the most important impediments confronting the development process of industrial zones is land constraint. Actually, a landowner who has a title-deed at his disposal has the right to require a ground rent for the use of his land. Nevertheless, the rent is determined by a set of objective and subjective factors.

IZ development requires first the acquisition of a site for servicing purposes before transferring it to manufacturers. But these latter need to acquire it at a rock-bottom price, which is in opposition to the landowner's interest. Actually, the land issue is of crucial importance depending upon the urban area importance, its rate of growth, the importance of its main activities, the location of available areas and the prospective assignment of sites.

In Morocco, this issue is more complex because of the diversity of the legal regimes of sites: State property, private State property, collective land status, Habous estate, private status, etc. Actually, the purchasing cost of a site and the necessary delay to make it available differ according to the legal status of the land. For example, the IZ sites of Khémisset (private State status) did not require more than two years to make them available for developers at a purchasing cost of Dh5/sq. m. For IZ of Salé (Habous estate), the price was Dh7,05/sq. m. On the contrary, the regulation for land status in Tangier

required a very long period (from the mid-70s to the end of the 80s), which did not prevent the industrial zone from becoming operational.

Under these conditions, a good mastery of IZ development process -- as that of the urbanisation process as a whole -- is, to a large extent, based on the distribution of land wealth between the main landholders in different towns such as within the urban area itself and its outskirts.

Through its intervention, the State is a major actor for removing the constraints for land, and, hence, for making sites available for industrial development operations. The legal instrument used for this purpose - as concerns private sites - is the power to expropriate for public utility purposes.

If «the right of property remains safeguarded» by the Constitution, «the law may put limits to its extent and exercise, if requirements of economic and social planned development of the Nation are dictated» by circumstances (Constitution). Then, the expropriation procedure is pronounced. The legal arrangements planned in this prospect are contained in legal texts (Dahir of 3 April 1951, as amended by Dahir of May 6, 1982.)

The procedure of expropriation may be used since the public utility is invoked. This notion has got an extensive sense in 1982 text in comparison with that of 1951. In France too, the Land Law of 1953 and ordinance of 1958 had enlarged the scope of this procedure to industrial zones development.

The power to expropriate is open to the State, local communities, individual and legal entities or even to individuals by delegation of authority so as to undertake work and operations considered to be of public utility. Development organisations may then be holders of this right to expropriate. Examples in this field are numerous. One of the most significant cases is the industrial zone of Tangier (Tetouan Road), which was developed before the setting up of the Industrial Zone National Programme. Another example concerns the sites - with collective estate status - that were expropriated in the outskirts of Temara for the purpose of private cement works implementation.

The recourse to estate property sites is certainly one of the most important ways to acquire large areas at rock-bottom prices. In that way, ICOZ (Beni Mellal) acquired, in 1980, a parcel of 4.5 ha at Dh3/sq.m. Another revealing example is the SIMEF plant (Fès), which acquired 36.920 sq.m. of estate sites at Dh15/sq.m.

Industrial zones development implies that other types of relationships be established with other major actors such as public works companies, which is not without causing problems to developers especially when these companies are in monopoly position (water, electricity, telephone etc.).

Actually, as developers are not themselves entrepreneurs, they make other contractors produce public utilities on their sites that are sometimes used beyond the industrial zone framework and, hence, may benefit other users such as for housing estate. This is the case for off-site utilities which involve problems as regards the breakdown of expenditures between developers and contractors.

Finally, in the dealings between developers and manufacturers, another major actor is present: the financing organisation(s). The problem is dealing with the security standard for funds as regards sites sold by developers to manufacturers, in case of payments in instalments. As both developers and funding organisations claim the mortgage, an official agreement has been reached: it consisted of a second-hand mortgage in favour of developers.

The ownership of real estate is then the core component, as property is required by banks to grant credit. It also confers the right and the opportunity to realise important gains in case of sale of parcels.

#### **4.2. Location factors of industrial zones**

The IZNAP, initiated by the end of the 1970s, following the O.D.I. survey for this purpose, led to the selection of twenty two towns for industrial zones location. Two main elements have been considered in the selection approach (which was based on a multicriteria analysis): location factors and implementation factors.

Regarding the location factors, a hierarchical classification has been established so as to determine the priority for scheduling industrial zones with regard to the rank of each town in the classification. Many parameters have been taken into account to this effect:

– Production and market parameters:

- \* availability of manpower,
- \* availability of raw materials,
- \* size of market for industrial products,
- \* importance of utilities,

\* means of transport and communication.

– General environment parameters:

- \* financial environment,
- \* regional and local environment and, particularly, the town's position in the region.

The latter parameter is of great importance as regards the assessment of a town's requirements concerning the setting up of industrial zones.

- \* Demography (statement and prospects for future population growth),
- \* economic structure of the town,
- \* employment distribution between sectors,
- \* availability of sites for industrial zones development (current potential and mobilisation for the future).

- Parameters related to State action or policy

- \* incentive to industrial decentralisation,
- \* main orientations for regional economic vocation.

Bouznika and Ben Slimane are two revealing examples: after having been included in the IZNAP (utilities were even set up for the industrial zone in Bouznika), the two towns were then excluded from it following a decision in high places so as to safeguard their agricultural and touristic vocation.

### **4.3. Site factors**

Once the towns have been selected, the second step concerns the choice of the site alternatives -among those previously identified in the first step - with the maximum of advantages, according to a set of parameters:

- Land availability (size) and the facilitation in mobilising it with regard to the legal status of the land; this concerns both current site requirements and future needs. This parameter is actually, all other things being equal, one of the most privileged for selection of variants.
- Site's position in urban composition.
- Distance to main manpower areas.
- Topography and geomorphology of sites, which will determine the amount of required investment, especially in excavation and embankment works.

- Distance to the main infrastructure networks and facility to connect industrial zones utilities. This will determine the amount of off-site investment.
- Hydrogeological statement and ground water position, which will determine the possibility of complementary water supply (to main water) and risk of ground water pollution.
- Main direction of winds.

#### **4.4. Principles of development**

In order to co-ordinate the establishment of industrial zones throughout the country on the basis of common prescriptions and to standardise them -- especially for those entrusted to CDG -- specifications have been laid down in the IZNAP. They concern:

- the development of industrial zones according to a predetermined schedule;
- the setting up of industrial zones in phases so as to limit financial requirements for investment;
- the progressive implementation of utilities which is likely to avoid the deterioration of infrastructure:
  - \* after the construction of the sewer system for rainwater and waste water and the carrying out of basic groundwork, industrial plants may be initiated;
  - \* the second level of industrial zone equipment concerns all other facilities (water supply, electricity, street lighting and telephone) and the repairing of roads;
  - \* the last level concerns the definitive road surface and the construction of pavements.

As concerns the connection to utilities, the technical standards are as follows:

- 40 cubic metres per hectare per day for water supply;
- 130 KWh per hectare for electricity.

#### **4.5. Preliminary financing programme**

In order to determine the selling price scale for industrial zones, some parameters have been taken into account as concerns various components of the investment programme for the first developed zones. They concern the six zones which have been developed by CDG (i.e. Khemisset, Salé, Nador, Settat, Casablanca Ben Msik and Marrakech Syba). The following table summarises the main elements for this purpose.



Table 5: Investment cost forecasts for developed industrial zones (CDG)  
(Situation as of December 1982)

Items	Average unit cost (Dh/sq.m.)	percentage
Land	12.20	16.00
In-site infrastructure	27.00	37.10
Off -site infrastructure	13.50	18.50
Surveys	3.05	4.20
Administration & promotion	1.67	2.30
Contingency reserve (7 per cent)	4.02	5.50
Bank charges & interests	11.38	15.60
Average unit cost (gross)	72.82	100.00
Average unit cost (net)	90.00	

Source: Caisse de Dépôt et de Gestion.

This investment structure was likely to serve as a reference point for the determination of the production cost and the selling price for standardised industrial zones in other towns, as CDG was supposed to be the unique developer of 800 ha among about 1.200 ha planned for the decade. This development would have required an investment effort of about Dh540 million out of the Dh 900 million needed for the whole programme.

Actually, differences can be important as regards the items considered in each zone. These differences concern the cost of land acquisition as well as other items and especially the size of investment to develop off-site and on-site infrastructure. As can be seen in the following table, these items represented different weights in the investment programme of the first industrial zones developed by CDG<sup>4</sup>.

Table 6: Average unit cost structure for industrial zones (percentage)  
Status as of December 1985

Items	Khemisset	Nador	Salé	Settat	Ben Msik	Marrakech
Land acquisition costs	13.15	5.36	15.15	17.03	33.68	19.86
Development costs	76.23	85.17	75.19	71.41	55.47	73.78
Surveys	6.78	5.43	6.49	7.62	3.33	2.14
Other charges	1.36	1.38	0.81	1.47	1.05	1.55
Administrative costs (quota)	2.48	2.66	2.36	2.47	6.47	2.67
Average unit cost (Dh/ sq. m.)	108.18	84.12	124.90	123.88	130.87	199.20

Source: Caisse de Dépôt et de Gestion.

<sup>4</sup> Reference cannot be made to other industrial zones developed by municipalities, ERAC, etc., as they were only partially equipped and expenses for many items such as surveys, administration, etc., were not included in the selling price of plots.

In addition to these parameters, reference has been made to the selling prices in other countries, on the one hand, and the attractiveness of the towns in comparison with Casablanca city, on the other.

As concerns the first issue, the price scale observed for different zones abroad was as follows:

- France : Dh40 in the Paris area and Dh15-30 in other regions;
- Portugal : Dh15-20 per square metre;
- Ireland : Dh5-10/sq. m. with, in addition, a leasing system for equipped land or buildings;
- Tunisia : Dh110 (Tunis); Dh79 (Sfax); Dh60 (Bizerte); Dh8-15 for underprivileged areas.
- Saudi Arabia : Sites rented at symbolic prices.

In Morocco, according to a survey carried out by B.N.D.E.<sup>5</sup>, the prices at the time for industrial sites were as follows:

- Casablanca: prices were higher than Dh200/sq.m. for partially equipped sites<sup>6</sup>.
- Rabat-Salé : > Dh50/sq.m.
- El Jadida : > Dh30/sq.m.
- Settat : Dh20/sq.m. for non-equipped sites.
- Beni Mellal : Dh30-40/sq.m.
- Kénitra : Dh32-67/sq.m.
- Taza : Dh25-30/sq.m.

Considering the price scale, the status of industrial zones as regards their location and grants which were likely to be allowed to investors for land acquisition, the financial effort required from the State would have amounted to more than Dh80 million (see Annex 7).

## 5. EVALUATION OF INDUSTRIAL ZONES PROGRAMME

The programme of industrial zones which was initially limited to twenty five zones, then extended to about thirty zones, has been gradually extended to achieve about sixty in 1997, from which nearly half are now already developed; the second half is under development, even if many of the latter are

<sup>5</sup> Factors of production costs, January 1982.

<sup>6</sup> Nevertheless, for the official East Industrial Zone, the price for equipped sites was fixed at Dh15/sq.m. (Sefrioui, 1993).

in operation. The current covered area for developed zones is around 1275 hectares and about 1600 for the latter. The area is then more than twice as big as it was initially estimated, if the whole programme is considered, and about the same if only developed industrial zones are taken into account. In fact, many of the industrial zones considered in official statistics were already partially or totally developed prior to the launch of the programme. The most significant example is the industrial zone of Tangier which is located alongside Tetouan road.

If we consider the initial programme, the location of industrial zones was a matter of specific policy, emanating from officials (representatives of Ministries within a Monitoring Committee), who were in charge of the design of the whole programme. The latter, aimed at ensuring a relatively even geographical distribution within the national territory, with respect to the decentralisation process. The exclusion of Casablanca from the initial programme is a revealing example of the importance of the official viewpoint prevailing at this time. The final list of towns selected was as follows: Agadir, Béni Mellal, Ben Slimane, Berkane, Berrechid, Fès, El Jadida, Kénitra, Khémisset, Khouribga, Ksar El Kébir, Marrakech, Meknès, Nador, Oujda, Rabat Salé, Safi, Settat, Sidi Slimane, Tanger, Tan Tan and Tétouan.

The extension of the programme from the very first years is due to some pressure emanating from some local communities looking at industrial zones as an important source of employment generation but, especially, as a source of tax revenues. It is obvious that speculative aims were not absent in some, if not the majority of, cases.

As the government had to support a large part of the deficit resulting from the gap between the estimated revenue and the actual cost in some zones, it has been decided to include Casablanca in the programme so as to minimise the overall deficit (see Annex 7). Actually, from 200 ha initially programmed, the effective area developed in the only industrial official zone in Casablanca at the time was less than 30 ha. Financial difficulties were not long to appear in the public budget, strengthened by the beginning of application of SAP.

As can be seen, the process of decision in the setting up of the programme is mainly a top to bottom process. Actors such as industrialists were not really involved in the decision-making process.

An ex post evaluation of the programme may be established according to objective criteria. One of the most important is the operational character of the

developed industrial zones. As can be seen in Annex 8<sup>7</sup>, very few zones have been presenting efficiency if we consider the number of firms in operation in comparison with the number of existing plots.

Another criterion is the overall occupancy ratio which takes into account, in addition to firms in operation, those under construction. But this latter indicator seems to be less suitable since it introduces an upward bias. Actually, many beneficiaries of sites were, in recent years, compelled to initiate constructions after official pressures were put on them.

In this respect, the zones which experienced success are those located in the main cities such as Casablanca, Salé, Tangier, Fès or those presenting a favourable economic environment, such as El Jadida or Berrechid (in consideration of its attractiveness vis à vis Casablanca). Besides, this city may, to some extent, be considered as a privileged area for decongesting the Greater-Casablanca industry.

On the other hand, other industrial zones among the first ones, which have been developed by CDG or other development organisations, are in a difficult situation and have been confronting many problems. The most significant case is that of Khemisset zone, in spite of its favourable location, only 80 km far from Rabat.

For Khemisset zone, for instance, the global area acquired by CDG for industrial development purposes was 27 ha 81a 34 ca, at Dh5/sq.m. as concerns the state-owned land and Dh15/sq.m for private sites. The development of the industrial zone was limited in the first phase to 16 ha 75a (gross area) of which 13 ha 26a 74 ca of net transferable area. The unit cost of investment amounted to Dh108/sq.m. But the official selling price was fixed at Dh60 (with no regard to the 50% subsidy provided for in the Investment Code).

26 parcels were assigned to SMEs and 58 others to handicraft activity. In a recent investigation carried out at the beginning of 1997, the situation was as follows:

For the industrial sector:

- 7 firms were in operation and 3 others were broken-down;

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<sup>7</sup> Data in this annex require a deep analysis so as to determine the specificity of each zone. In addition, some corrections or accuracy must be introduced.

- 6 parcels were under construction;
- 11 parcels without any construction or with just a paving stone.

For handicraft activity:

- 19 operational units and 9 were broken-down;
- 28 parcels were at different stages of construction;
- 18 parcels without any construction or with just a paving stone;
- 4 available parcels.

As can be seen, the industrial zone presents a low ratio of operational units as well as occupancy ratio. Some parcels acquired by beneficiaries, did not really serve to promote industry and the development of the city's local economy, but were to be used for speculative purposes. Transactions in this field for many parcels, although they were not allowed, according to CDG specifications, have nevertheless occurred.

As regards the promotion of employment, except for a clothing export factory which employs 470 workers, the others are of medium size (a second clothing factory, a flour mill and a pottery) employing 170 workers. The three last units are micro enterprises, with 5 or fewer workers each. As concerns the craft activity, total employment did not exceed 170 workers, of which 100 were in a single clothing workshop.

On the other hand, Tangier's industrial zone is a success story, if we consider only the occupancy or operational ratio (Sefrioui, 1995). Established in November 1965, the development of this zone was the responsibility of the public works ministry. The parcelling plan, dated 1966, divided the whole zone (254 ha 58 a 04 ca) into two blocks, with a 140-hectare block for the development in the first phase; the remainder was to serve the expansion requirements of the second phase.

In addition to the private state property and private sites sold by contract, many other parcels have been expropriated since 1970. Compensations for expropriation were fixed on the basis of Dh1.20/sq.m. for sites located in sector «A» (for the first phase) and Dh0.50/sq.m. for sector «B».

It is worth mentioning that this zone was initially considered as a free industrial zone, but owing to disagreements between departments as concerns the fiscal and customs status of this zone, it was then decided to set it up as an ordinary industrial zone.

The development of sector «A» began in 1970, and in 1977, the industrial zone became operational. The unit cost of equipped site amounted to Dh56 and beneficiaries acquired their parcels without paying any money in so far as land regulation was only completed about fifteen years after. The selling price for equipped sites has been established at Dh40/sq.m. for parcels which have been valorised before 1986 and at 70 DH/sq.m. for other parcels.

The industrial zone achieved an important rate of occupancy since it was completely developed within fifteen years. Actually, with 22 operating firms in 1980 employing 1550 workers -- i.e., 10.8 per cent of total employment of the city - its contribution reached 38 per cent in 1993 as concerns employment and 44 per cent for industrial turn-over. It also accounted for about 46 per cent of total exports. The number of set up firms was then 110.

For many firms, it was just a change of location from the «de facto» industrial zone of Moghoha. Nevertheless, on the whole, the process has had many impacts on the economic promotion of the city as well as on its space organisation. The industrial zone is suffering from the lack of infrastructure, especially in the field of water supply and sewer system. At present, Tangier, as well as other big cities (Casablanca, Fès, Rabat-Salé, etc.), suffers from a lack of well-equipped sites.

What is a matter of concern is the situation in Greater-Casablanca, which constitutes the main industrial and economic pole of Morocco. Owing to the lack of available industrial sites within the urban area of Casablanca on the one hand, and the high level of selling prices, on the other, the trend during the 15 past years for industrial location has been a shift towards the outskirts of the town. These sites which have no facilities are not equipped for industrial purposes. «De facto» industrial zones -like a real industrial belt- are taking place all around the city, on the outskirts, requiring a complete (a posteriori) and appropriate development programme, with special regard to their integration in the urban composition.

Two major factors have contributed to the development of speculation in these zones: the availability of sites on the outskirts, which incited property developers or manufacturers to acquire large sites beyond their real needs, on the one hand, and the purchasing price of sites, relatively low in comparison with current prices of land in the other operating industrial zones within the urban area, on the other.

We must remember that the master plan of Greater-Casablanca, within the framework of reorganising the territorial development of the city, had cut

down some industrial zones from about 900 ha of available industrial sites within a total of 1232 ha available in the Prefecture of Casablanca Ain-Sebaa at the beginning of the eighties, so as to reallocate them to other purposes (housing, green spaces, public facilities, etc.). The 1983 Investment Code, for its part, has, to a large extent, contributed to increasing difficulties in this field.

After the implementation of the master plan of urban development in Greater Casablanca (1984) and subsequent urban plans for all the communes, the trend towards higher selling prices for industrial sites has been growing stronger.

At present, major industrial zones throughout the country suffer from ill-equipped industrial land and the inexistence of business as well as social services. The most important cities experience a shortage of land for the setting up of appropriate industrial zones. This situation is the result of many interdependent factors which can be summarised as follows:

- Inexistence of a real strategic view on the matter of industrial and/or territorial planning.
- Inexistence of industrial zone development and management capability of major developers representing public agencies which confused industrial development with housing estate operations.
- Lack of money over the period of SAP which coincides with the implementation of IZ programmes and, what is more, was supposed to benefit from public financing;
- The recourse to a multitude of «developers» without any cohesion nor coherence as regards the process of development.
- Existence of administrative and institutional bottlenecks (which are among the most important ones); these are important at every stage: location of zones according to development plans and/or problems encountered to introduce changes in these plans when need be; land acquisition and regulation of formal procedures; complexity and delays in the process of mobilising finance for the development of IZ purposes; approval of IZ from public authorities, so as to benefit from incentives and tax exemptions provided for by the investment charter; process and modalities of allocating plots to industrialists and/or other beneficiaries in IZ; long and complex procedures to settle and implement a plant, once the IZ is operational, etc.
- Administrative defaults in the allocation process of plots to beneficiaries from public and/or local communities, exacerbating speculation.
- Complacency in the process of plot allocation, resulting sometimes in the apparition of housing units within industrial zones (Agadir, etc.).

- Inexistence of structures for the administration of industrial zones, and, as a result, the deterioration of infrastructure in these zones. As the administration of IZ is the responsibility of local communities (for those located within their administrative territory and once the development is completed), the latter have no capability (human or financial) to manage these zones.

## 6. PROSPECTS

To counter these problems and enhance long term growth prospects, a new strategic view of development is now taking place, following the 1994 Private Sector Assessment (Sefrioui, 1993). This new strategy which is supported by the World Bank, and implemented by MCIA, aims at creating a new regulatory environment for the promotion of the private sector. Within the new approach, the new concept of industrial parks is supposed to bring appropriate solutions to all of the ongoing problems or those encountered previously. Set in the new context of globalization and liberalisation, the industrial park is considered as an important vehicle for reviving the industrial sector and taking up challenges in the global competitive world.

In the new scheme which is being implemented, developers are supposed to lease the land from the government and sub-lease it after its development to private enterprises, but the purchase of land by tenant enterprises at market prices is also possible under conditions. The government commits itself to developing the off-site utilities (electricity and water supply, sewer system and particularly the treatment stations). In the institutional field, the government is committed to increase the supply of industrial land and streamline the approval of urban plans.

The developers, for their part, are in charge of <sup>8</sup>:

- the mobilisation of private financing so as to develop all on-site infrastructure and all other common facilities (i.e., maintenance, marketing, trade facilitation offices) and provide management and other services to tenant enterprises;
- acting as interface between enterprises and the central and local government in such areas as trade facilitation.

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<sup>8</sup> World Bank, Industrial Infrastructure Project, February 1997.



The delay required for industrial park development is about ten years and concession to developers may be allowed from 30 to 50 years, depending on negotiation results with the government.

In this respect, a call for tenders<sup>2</sup> for the first phase of a programme of private industrial parks, developed and managed by internationally experienced companies, has been launched in mid-1997 for Casablanca-Nouaceur (256 ha) and El Jadida-Jorf Lasfar (145 ha).

As the process of selection has remained unfruitful, independent consultations have been made by MCIA with specific international and national organisations, which resulted in the selection of a Moroccan consortium of financial institutions<sup>3</sup>.

Actually, because of the importance of the programme for the private sector, a financial package was put together by a private pool. A list of partners, consisting of two commercial banks (BCM: first private bank and BMCE: newly privatised), an industrial holding (SNI) and an insurance company (CAA) signed two conventions with the MCIA so as to assume the development of the two industrial parks of Tangier and Casablanca-Nouaceur. For that purpose, two development organisations have been created: SAPINO (Société d'Aménagement du Parc Industriel de Nouaceur) and TFZ (Tangier Free Zone). Other international financial institutions such as SFI, BAD, BEI and Proparco indicated their interest to join the equity partners as shareholders as well as investors, but they required first a feasibility study.

In Tangier, the new project has been recently launched: it consists in the setting up of a free zone of about 345 ha of which 275 will be developed in the first phase. This free zone is adjacent to Tangier - Boukhalef airport and it will be developed by private investors. The MCIA expects 1200 to 1300 enterprises to be implemented in this zone, generating some 60,000 jobs.

Land which was in part a private state-owned property and for the remainder a public state-owned property was sold for Dh5/sq.m. to the developer. As concerns the process of allocation, 25 ha have already been attributed to beneficiaries during a meeting organised for that purpose and presided by the governor of Tangier.

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<sup>9</sup> The invitation to tender for preselection has been launched by mid-1996.

<sup>10</sup> The paper has been updated to take into account new developments that occurred by March 1998.

We must remember that some foreign units are being built, following the agreement concluded with a Spanish development company which has acquired -- by lease at Dh25/sq.m. per year -- a 5-hectare area to establish an industrial polygon within which about eighty firms will be accommodated for export purposes.

Close to this free zone, an ordinary industrial zone (Gzennaya) of about 130 ha will be developed by CDG. Surveys have already been completed and the site was acquired on the basis of Dh10/sq.m.

As concerns the industrial park of Casablanca-Nouaceur, which is located close to the technopark, and is likely to compete with it, even if not yet designed, it will serve, in the first phase, to accommodate - within a 80 ha area - the three forecast Daewoo units (automotive parts, cathode-ray tubes, and TV units)<sup>1</sup>. Buildings will be realised by MCIA and leased to Daewoo company. The site on which the industrial park will be established has been acquired on the basis of Dh10/sq.m. and will benefit from all externalities provided by ONDA existing infrastructure and facilities.

As concerns the other industrial park which is included in the programme and located in the city of Nador (Port of Beni Ansar), the area is about 300 ha (from an initial 40 to 60 ha in the previous forecast). This park is also supposed to have a free zone status.

To conclude, it is worth mentioning the technopark project which was set up by ONDA in Casablanca-Nouaceur airport and which is currently in operation.

In the search of higher competitiveness of the Moroccan economy and following some successful experiences in newly industrialising countries, ONDA has set up within the airport area its technopark. This park which is designed to receive innovative firms and training and research units within a high quality site will provide a number of advanced services to firms, such as assistance and counsel, in addition to all the facilities available within the airport area.

Three main objectives are assigned to this technopark:

- the development of innovative activities conducive to better productivity as well as competitiveness;

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<sup>11</sup> Information provided by MCIA.

- the facilitation of implementing an effective partnership among actors such as economic operators (innovative firms), the university and other research institutions;
- the generation of employment through the promotion of new activities, especially those with a high ratio of export to turn-over.

The main components of the complex (see map in Annex) are designed to bring facilities and other advanced services. They have been consisting of three types of structures made available for enterprises as regards their locational aspect and the type of activity they are involved in:

- 1) An **industrial park** dedicated to innovative firms and/or those presenting a high intensity of export activity. The global occupancy ratio is lower than 50 per cent, so as to take advantage of the green space within which enterprises are established.
- 2) A **pool of advanced services** consisting of a block of buildings (smart buildings, workshops, modular commercial premises) for service activity enterprises as well as for training and/or research institutions.
- 3) A **park for exporters** so as to provide export-based firms with storage premises close to the airport and allow them to take advantage of intermodal transport facilities.

All these structures for productive purposes will be located around a hotel complex and a business centre with advanced telecommunications facilities such as a digital network.

Enterprises will be supported by other advanced service structures such as an «innovation centre» to facilitate the setting up of innovative start-ups within an incubator structure, a «research and applied development centre» acting as interface between operating firms and national and international specialised institutions in the field of training and R & D activities. The talent pool which will be made available will help technopark enterprises to be open to university and vice versa. An «information and facilitation centre» will ease the setting up and implementation of foreign firms regarding administrative procedures. Other services will be made available as concerns the provision of computerised and telecommunication services, secretariat, maintenance of machinery, etc.

## 7. CONCLUSIONS

From a personal point of view, we can consider that all these programmes (ongoing and those to come), may serve as an efficient platform for local and regional industrial development, if actors - public as well as private - favour the requirements of long term development and those related to territorial organisation, so as to overcome the distortions experienced in these fields. But this requires first to have a strategic view, in contrast with the currently prevailing one, which is particularly confined to «short - termism».

Actually, the success of industrial parks in the future requires the adoption of a dynamic approach which will be in keeping with the general pattern of industrial development trajectory that will be implemented by government and other major actors in the economic field. Some strategic considerations may be put forward to highlight the required new perspective:

- The levelling up of industry in the context of liberalisation and global competition. Actions in this field do not mean looking for technical improvements for better economic performance, in a static way, i.e., to benefit from a static competitive edge, but a real restructuring for an industrial upgrading which will rest on innovative systems (innovation is being defined in a broad sense). The achievement of this specific target is nevertheless determined by other major concomitant actions of levelling up of the whole macro economic and institutional framework.
- If the above-mentioned actions tend to reinforce the openness of the economy according to global market requirements, a new approach of territorial organisation and regulation needs to be implemented, relying on a new dynamics of governance and a decentralised policy of country planning. Regions (newly-established) as well as other sub-local communities become, in this perspective, important levers for industrial as well as territorial development.

Considered in this perspective, industrial parks should be an instrument, among others, which is likely to constitute a response to new stakes imposed by globalization. Location of these industrial parks should satisfy some conditions. But first, what purpose should the industrial park serve?

There is no uniform or single answer to this issue as industrial parks differ from country to country depending on many factors such as the importance of the development of the industrial productive system, the type of industry

targeted, the extent to which firms are integrated, the markets targeted (geographically and sectorally), etc.

In Morocco, the programme is keeping with the general pattern suggested by the World Bank -- regarding some successful experiences in some developing countries (south-east Asia). It claims to be the appropriate response to the need of domestic industry to take up the challenge of global competitiveness. But for that purpose, the World Bank requires from the government to undertake important structural reforms according to the prevailing friendly-market approach.

As mentioned in the first part of this paper, the Moroccan economy is characterised by a strong dysfunctioning and it is unlikely to overcome the «systemic failures» simply by issuing regulations, laws or decrees.

In view of the MCIA programme of industrial parks (Casablanca-Nouaceur, Tanger-Boukhalef, El Jadida-Jorf Lasfar, Nador-Béni N'sar), it already appears that the process used in selecting agglomerations and private holdings for development, the lack of tangible appraisal studies, the incapability of the government to mobilise funds for off-site infrastructure financing, etc., are indicative of the prevailing behaviour as concerns project management, i.e., the administrative process. Indeed, negative routines and complacency attitudes are still prevailing in the decision-making process in Morocco.

Even if we assume that the macroeconomic and institutional conditions are fulfilled or in process, it is obvious that not every industrial agglomeration qualifies as an industrial park, nor could pretend to accommodate one, if specific conditions are not available. For this purpose, the agglomeration should:

- justify the existence of tangible capabilities as regards the industrial environment, the financial environment as well as the required infrastructure for that purpose;
- justify the existence and proximity of an international airport and a harbour, especially for agglomerations having advantages as regards industrial composition, which is the case of the Casablanca agglomeration. El Jadida industrial park, which is forecast for heavy industry, should not be included in the programme in this perspective (at least in the first phase). In addition, this agglomeration is located not far from Casablanca. Nador industrial park, which is presenting less favourable conditions, is supposed to be made into

a free zone in the future, following the example of the free zone status of Tangier industrial park.

Tangier on the contrary, considering its location close to the European market, the potential of its industry (third industrial agglomeration), the programmed infrastructure (an international harbour 30 km away from the existing one located within the city, a highway system, a power plant), in addition to the existing one, seems to be appropriate and may serve as a platform for a successful industrial park, based on export-oriented activities, if the bottlenecks mentioned above are really overcome.

On the other hand, except for the industrial park of Jorf Lasfar, which is intended to accommodate heavy industry, the others with their free zone status, are supposed to promote external linkages, since they will accommodate export-based units, and what is more, most of them are foreign-owned firms. This perspective does not appear to be supported by evidence in all cases, unless we consider that the increase in foreign trade, the improvement in foreign currency receipts, the generation of employment (especially of non-skilled labour), are good indicators in terms of industrial upgrading.

Many experiences of such «Maquilas» in Central and Latin America, in Asia and even in Morocco for the first established industrial and commercial free zone of Tangier (1961) proved ineffective because they are usually based on assembly processes (from raw materials and semi-processed products import) and on subcontracting activity because of their offshore character. Sectors which are usually privileged are intensive non-skilled-labour sectors such as the clothing industry, the food industry and in some advanced zones or industrial parks, electronic assembly units. The evident counterpart is, obviously, the «flexibility» of the labour market required in these zones, involving first the removal of any impediment that firms are likely to face.

This «flexibility», as is the case in many free zones in Central America (Dominican Republic, Guatemala, Honduras, Nicaragua), was understood as the negation of any regulatory framework for the labour market, in particular as concerns enrolment and redundancy rules, the level of minimum wage, application of collective agreements, trade union allowance, etc., which resulted in unorthodox practices as regards human rights. In these contexts, the only prevailing masterwords are: productivity, efficiency and availability of workers (in the very narrow sense).

The situation may be somewhat different in other countries where social security is ensured, but the right to strike is forbidden<sup>1</sup>.

As links with the local economy are broadly limited (except for jobs/wages aggregates), the impacts do not mean any breakthrough in the dynamics of industrial upgrading or in the territorial integration mode.

The Mexican experience is quite significant in this field as it accounts for more than two thousand maquilas from which many are located within industrial parks. Electronic, automotive components, furniture industry and apparel are the main activities and contribute to a large extent to improving the macroeconomic indicators of the country, but backward and forward linkages are very weak. Domestic procurement is indeed less than 2 per cent within maquilas. Return on investment ratios are, on the other hand, very high. They are estimated to be higher than 20 per cent, close to those encountered in new industrialising countries at the beginning of the nineties.

Many factors are at the origin of the expansion of industrial free zones in Central America: the political stabilisation in the region, the proximity of the US market, the need for South Asian firms (from Korea and Taiwan) to penetrate the latter, on the basis of using available export quotas for textiles and apparel activities, in addition to low wages and other components of the above-mentioned «flexibility».

In the face of the plethoric supply of industrial free zones, the demand emanating from transnational investors is more limited but very selective. So developing countries compete with one another in offering very large incentives to attract international investment.

Keeping the globalization process in mind, one should recognise that some countries are better placed to win than others. The winners are those who succeeded or are succeeding in setting real platforms of industrial parks according to international standards (hardware) and real management and organisational capabilities in terms of scope and quality of services provided (software), the whole in keeping with the strategy of development and conciliating between the vital imperatives of globalization and the national requirements of social development (a real industrial upgrading based on innovative systems).

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<sup>12</sup> In Turkey, strikes are forbidden during ten years after the opening date of the free zone.

Morocco, which is experiencing this new kind of industrial platform, should act in the right way. It is a long-term commitment and no mistake is allowed. So we must not let industrial parks become improved industrial zones (besides, there are many existing industrial zones that need to be improved) or build monuments which will become with time the expression of «unachieved dreams».



**ABBREVIATIONS**

ANHI	: Agence Nationale de Lutte contre l'Habitat Insalubre
ASS.INV	: Association d' Investisseurs
AUC	: Agence Urbaine de Casablanca
BCM	: Banque Commerciale du Maroc
BMCE	: Banque Marocaine pour le Commerce Extérieur
BNDE	: Banque Nationale pour le Développement Economique
BAD	: Banque Africaine de Développement
BEI	: Banque Européenne d'Investissement
CAA	: Compagnie Africaine d'Assurances
CDG	: Caisse de Dépôt et de Gestion
CL	: Collectivité Locale
ERAC	: Etablissement Régional d'Aménagement et de Construction
MCIA	: Ministère du Commerce, de l'Industrie et de l'Artisanat
MI	: Ministère de l'Intérieur
MTP	: Ministère des Travaux Publics
MUNIC	: Municipalité
ODI	: Office pour le Développement Industriel
ONDA	: Office National des Aéroports
SNEC	: Société Nationale d'Equipement et de Construction
SNI	: Société Nationale d'Investissement

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