



Research Paper

## Public aid for housing policy in Morocco 2000-2013

Driss Effina

<sup>1</sup>(Finance & Economic Department, INSEA, Morocco)  
Corresponding Author: Driss Effina

**ABSTRACT:** *The sector of the Habitat realized since 2000 significant performances. The approach of the State in this sector has been marked by more clarity and efficiency, thanks to various innovative actions and projects aimed at boosting the production of housing, and by the establishment of new tools for financing social housing in favor of low-income households by arriving at the concept of new cities. Several elements have played in favor of this new dynamic, mainly: The new housing strategy adopted by the State based mainly on the intensification of housing production through the public and private sectors and the adoption of a new vision for the improvement of the housing conditions of poor households within the framework of the slum clearance program, The mobilization of public funding and land necessary to achieve the strategic objective of producing 100,000 social housing units per year; The new approaches and operating methods adopted by the public authorities: the cities without slums program, the public-private partnership, the new towns policy, and the institutional reorganization of public housing operators; The emergence of a private sector that is beginning to have a significant share in the production of housing, particularly social housing.*

**KEYWORDS:** *Housing policy, public aid, social housing*

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### I. INTRODUCTION

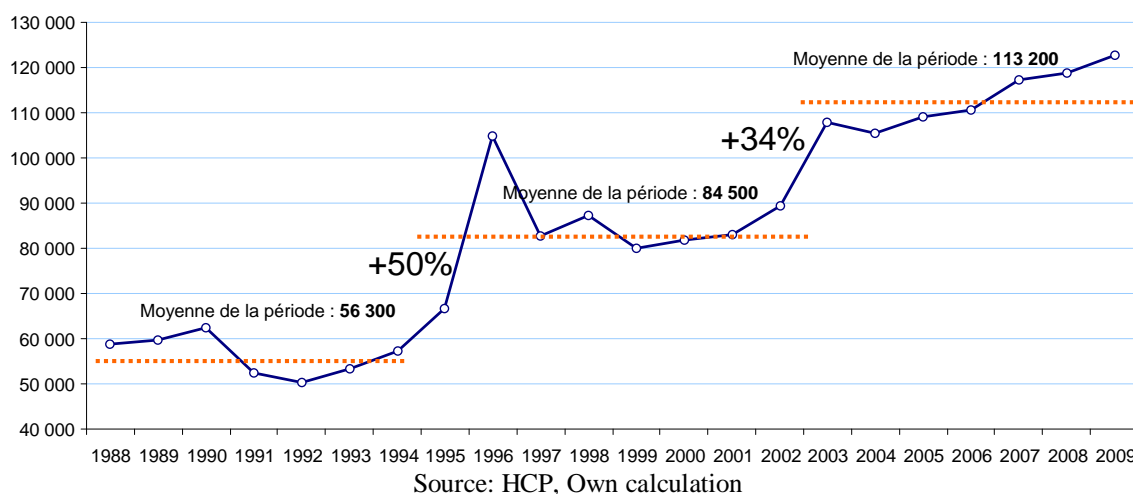
The main performance indicators for the sector show the quantitative leap that the sector has been able to make over the last ten years. Among these indicators we note the production of housing and particularly social housing, the rate of resorption of unhealthy housing and the decrease in the cumulative housing deficit.

The figures relating to the production of housing in Morocco confirm the upward trend. Indeed since 2003, the production of housing starts to exceed for the first time the cap of one hundred thousand housing. The production increased by 50% between the period of 1988-1992 and the period of 1994-2002, against 34% between 1994-2002 and 2003-2009, that is to say a systematic annual increase of nearly 20 000 residences during the last period. These figures show that housing production is effectively beginning to enter a new cycle that differs from that of previous periods, particularly that of the 1990s, which was marked by a production rate that was lower than the urban population growth rate and by the intense proliferation of substandard housing. The maintenance of production at this high-level reveal that new conditions for sustaining the level of production are beginning to be met; particularly organizable land, essentially provided by the State through its intervention bodies.

Over the last ten years, housing production has increased annually by 4.6%, compared with an urban population growth of 2.1%. This illustrates, for eight years now, the surplus of housing production, which contributes in a continuous way to fill the accumulated deficits of the previous periods and allows to satisfy a good part of the new demand in housing.

Another indicator of this dynamic is cement consumption. During the period 2003-20013 the volume of cement consumed passed three important thresholds: 9 million tons, 10 million tons and 15 million tons, thus demonstrating the great needs generated mainly by the housing construction sites. The consumption of cement has increased by 56% during the period 2003-2013 against 21% between 1995 and 2002.

The third indicator is that of loans granted by the banking system to real estate, the amount of outstanding increased from 40.1 MAD billion in 2003 to 174 billion in 2013, in parallel the interest rates for the long term have recorded a historic decline from 15% during the nineties to less than 6% from 2006.

**Graph 1. Evolution of housing production in Morocco during the period 1988-2009**

## II. SOCIAL HOUSING: A POLICY INITIATED LATE

The social housing policy in Morocco has been initiated since the 1960s, it was a policy essentially oriented towards land development and the production of equipped lots at affordable prices. The households concerned by this type of housing take care of themselves through self-construction to produce their own housing. Organized production, provided by the State or the organized private sector, has always remained at very low levels (15% to 25%). At the same time, substandard housing represented a response to the needs expressed for social housing, but not met within the framework of regulatory production.

Four important phases characterize this policy, each phase marked by important actions by the State with significant effects on the rate of production of social housing. Over the past forty decades, social housing production has increased from an annual average of 26,500 units per year in the 1970s to an average of 70,000 units in the period 2000-2009. Throughout this period, production remained dominated by individuals and oriented more towards home ownership. At the same time, the rate of development of substandard housing rose from an average of 12,300 in the 1970s to 34,300 in the 1980s, and from nearly 30,000 per year in the 1990s to only 20,800 in the 2000-2009 period. The new annual production in social housing covered only 46% of the new households that integrate the unhealthy habitat, this rate increased to 118% during the 80s, to 78% during the 90s, to reach 30% during the period 2000-2009.

These results show the slowness with which the State has dealt with the issue of substandard housing and giving a real response through the establishment of an effective policy of social housing that meets the needs of disadvantaged households. The 1970s were marked by the omnipresence of the State in this sector and the absence of a real social housing policy. These entities, which operated at the time under the supervision of the Ministry of Housing, initiated social housing programs throughout the regions of the Kingdom. From 1984, the State set up the ANHI, this new operational entity was set up to accelerate the pace of the resorption of substandard housing and the contribution to the production of economic lots at affordable prices in the framework of a new preventive policy. ANHI has been able to mobilize significant financing through the general budget, external loans and the equalization of land development operations carried out on the public land reserve. In 1987, the SNEC was created by the State to reinforce land development efforts.

Aware of the growing importance of the social housing issue in Morocco during the first years of the 90's and under the effect of the irreversible trend of urbanization, the galloping demographic growth and the effects of the structural adjustment program on the social level, the State decided to launch a national program for the construction of 200,000 dwellings, intended for the least favored strata, under advantageous conditions and with the support of the State.

For its realization, several financial and fiscal incentives have been granted to real estate developers including the recovery of VAT in the form of refund of VAT charged on the components of the cost price of construction. The partial exemption (50%) of the IS, during the first 5 financial years of the new companies and this, within the framework of the charter of the investments for all the promoters who would carry out, inter alia, economic residences in certain areas. The 2010 finance law has granted more tax benefits to investors in social housing. Indeed, the programs which concern the construction of more than 500 units of social housing, with a selling price not exceeding 250.000 MAD, benefit from a total exemption of the IS and the beneficiaries recover the VAT of a value of 40.000 MAD.

### **III. NEW HOUSING POLICY**

To fight against one of the most obvious expressions of the social deficit and maximize the contribution of the sector to growth, employment and poverty reduction, the government has retained the housing and urban planning sector, since 2000, among the national priorities. Within this framework, four strategic objectives have been set:

- To double the rate of production of social housing to reach 100,000 units per year, in the medium term, in order to meet the needs of low-income and limited populations who were excluded from formal production.

- To adapt urban planning and its tools to the needs of urban development, and its effective contribution to the upgrading of cities and the development of real estate investments.

- To improve the access to housing for all the social strata, and particularly, those with modest incomes, by the deployment of an abundant, diversified and low-cost offer, through the redefinition of the respective roles of the public and private sectors.

- To progressively reduce the accumulated housing deficit through a massive offer of an adapted housing product, specific programs of resorption and the implementation of a proximity policy, to fight marginalization and prevent the proliferation of unhealthy housing.

In order to achieve these objectives and ensure the upgrading of the sector, the program defined by the government has retained major sectoral reforms on the institutional, legal and regulatory, land and financial.

The new place that the sector occupies in the governmental structure as an integrated sector, the renewed confidence which it benefited from the part of the investors and the professionals and the widest adhesion of the whole of the partners constituted the main assets for the concretization of the reforms and the programs stopped by the State in the field of the habitat and the urbanism.

The new housing strategy aims to ensure the upgrading of the sector, increase its capacity to meet the requirements of accelerated urbanization and control its implications for urban development. This vision is articulated around the following main axes :

#### **a. Increasing the reception potential of cities and creating new urban poles**

The strategy implemented by the public authorities since 2000 aims to increase the territorial coverage of urban planning documents, in particular to open up new areas for urbanization in the urban extension areas and to program the necessary off-site infrastructure.

The mobilization of potentially organizable public land reserves to contribute to the increase in the supply of land in urban areas, to ensure the organized extension of cities and to create new urban poles and new towns, capable of reducing the pressure of the rural exodus on the major urban agglomerations. This orientation is also in line with a land use planning policy giving priority to the upgrading and development of cities as well as to the reinforcement of their role as a driving force for the economic and social development of the country.

#### **b. Adapting the housing supply to the volume and nature of demand**

The increase in the number of households in urban areas, particularly those with modest and limited incomes, requires a continuous increase in the rate of production of social housing and the diversification of supply to meet the means and aspirations of the populations concerned.

Indeed, despite the efforts undertaken by the public authorities, low- or limited-income households could not find an appropriate housing product on the statutory real estate market, due to their limited purchasing power and difficulties in accessing bank credit, which contributed to the proliferation of various forms of substandard housing.

In order to consider, the needs in social housing, the public authorities have set as a new objective the doubling of the annual production of social housing units, to reach the rate of 100,000 units per year. This rate should continue to increase beyond this period, to ensure that supply and demand are matched in the long term.

The diversification of supply must also consider the needs of the middle classes through the design of more suitable housing products.

#### **c. Accelerating programs to reduce substandard housing**

The precariousness of living conditions in slums and the risks incurred by households living in buildings in danger of collapse and in under-equipped and non-regulated areas amply justify the priority and urgent nature of public intervention to reduce these components of substandard housing, which reflect an alarming situation of poverty and exclusion. The concentration of efforts on slum clearance programs within the

framework of a new approach based on the "city contract", should allow by 2017, the total eradication of all slums identified.

At the same time, the redefinition of responsibilities in urban management and the revision of the provisions relating to the control of the act of building as well as the repression of the infringements, are measures likely to slow down the proliferation of the unhealthy habitat. In addition, the State is called upon to support the efforts of the Local Communities involved in the recovery of the existing situation.

#### **d. Upgrading cities and improving housing conditions in rural areas**

Urban planning documents are the basic tools for managing urban and rural development, guiding real estate investments and safeguarding the architectural heritage. They thus contribute to efforts to upgrade cities and improve the quality of the built environment. In this regard, the State has decided to strengthen and complete the coverage of the national territory in urban planning documents, to ensure their updating and adaptation to new directions of "projects of agglomerations" and "territory projects".

### **IV. INSTRUMENTS OF IMPLEMENTATION**

For the realization of the new strategic vision in housing, the implementation instruments defined by the State, relate to the adequacy between supply and demand, the upgrading of the institutional and legal framework of the sector and the strengthening of public actions to reduce deficits.

#### **a. On the supply side**

Increasing the supply of housing is a strategic objective of the new public policy. The lack of supply is the result of several factors related to land, urban planning and the absence of an appropriate investment code. In order to stimulate the supply of housing, the State has undertaken several actions which have mainly concerned the following aspects

- Mobilization of public land for the promotion of social housing at low TIV, through the provision of land to the Public Housing Operators for their development and their transfer to private developers, at advantageous conditions, within the framework of public-private partnership.

- To set up an incentive tax system for the investment in social housing.

- Controlling the cost of social housing through the revision of urban planning and construction standards and equipment grids, as well as the promotion and popularization of new techniques and processes to ensure a reduction in costs and speed of execution.

- Simplification of urban planning procedures and reduction of authorization delays through the acceleration of the process of elaboration and approval of urban planning documents and the setting up of the single authorization window.

- adapting urban planning provisions to the requirements of investment promotion.

- Adoption of a new approach to the reduction of substandard housing, giving priority to the marketing of an alternative housing product, the city as a programming unit within the framework of the policy of contractualization with local actors; and the revision, in parallel, of the provisions relating to the control and sanctioning of infringements of urban planning.

- Reinforcement of the role of the State in the standardization, the technical supervision, the orientation of the sector and the development of a new partnership with the actors and professionals of the private sector in order to a better implication and adhesion to the new orientations.

#### **b. At the level of the demand**

In order to meet the demand for housing, particularly social housing, the State, within the framework of the new housing policy, has undertaken a number of financial reforms. These reforms have mainly concerned the following components:

- Increase of financial resources allocated to social programs, in order to accelerate the programs of slum clearance and the development of public land intended for the production of social housing.

- Revision of the system of the purchasers' loans with a view to the increase of the quota, the lengthening of the duration and the reduction of the interest rates in order to allow the low-income households to reach the credit.

- Creation of guarantee funds, to promote access to credit under good conditions, to social strata with low and irregular income and, consequently, to bring the banking sector to commit more in the financing of social housing.

- Expanding the scope of the micro-credit system to include the financing of social housing, which will improve housing conditions in rural areas and in the old fabrics.

- Implementation of technical and architectural assistance programs for the benefit of rural populations.

### c. Institutional and legal reforms

The housing sector has suffered for several years from a weak regulatory framework. In order to make up for this deficit, the State has undertaken reforms in the following areas

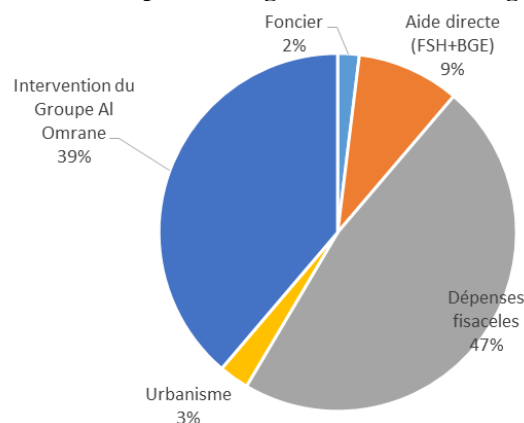
- Generalization of the coverage of the national territory in Urban Agencies and revision of their role to promote investment and contribute to a better urban management.
- Reorganization of the Public Housing Organizations to constitute an instrument of urban development and upgrading of cities and the redefinition of their mission towards the land development and the promotion of social housing in the framework of public-private partnership.
- Reforms of the legislative and regulatory arsenal, governing the sector, in order to adapt it to the requirements of urban development and the resorption of anarchic housing.

## V. THE ECONOMIC COST OF HOUSING POLICY

It is important today to evaluate the cost of the housing policy, ten years after its implementation. The aim of this evaluation is to compare the results obtained with the economic cost of this policy. Indeed, the main channels for financing housing policy are public land, taxation, budget allocations and other direct non-budgetary aid. To these costs can be added the loss of earnings in terms of urban planning exemptions and the real cost of intervention of the AI Omrane group. The evaluation of all these financing channels shows that their amount of expenditure is estimated at 12.9 billion MAD as an average annual value for the last seven years.

A major part of this cost is concentrated at the level of tax expenditures and the cost of the intervention of AI Omrane Group. These two categories of expenditure alone account for nearly 86%. The direct aids financed either by the BGE or the FSH concentrate nearly 9%. The cost of financing public policy represents nearly 1.6% of GDP and exceed the amount of investment made annually in the industry sector. The amount of public aid to the sector has increased from 0.8% of GDP in 2004 to 1.6% in 2013, which represents a significant quantitative leap in improving the housing conditions of Moroccans. Compared to several countries and considering its demographic weight, Morocco remains well positioned in terms of spending on the housing sector.

**Graph X. Distribution of public aid granted to the housing sector by category in 2013**



Source: Own calculation

Despite its relatively high cost, public housing policy has not achieved all of these objectives. In fact, the supply of social housing is still insufficient in relation to demographic needs and the needs linked to the cumulative housing deficit. The supply of social housing in high-pressure areas remains insufficient, as in the cities of Casablanca and Rabat, where the supply of social housing is still insufficient to meet the needs of the population in these cities. Social housing is now a target even for the middle classes in the absence of an offer adapted to this social category. The investment code relating to the promotion of social housing has not yet managed to resolve all the difficulties identified at this level. The problems of quality of services, targeting of priority areas and the fight against the slippage of social housing are still topical.

The State's housing policy is one that encourages more access to ownership. Every year the rate of ownership increases by 1% and the rental market loses nearly 15,000 households. According to the experience of other countries, such as Spain and Greece, this policy can have negative consequences on the economy in the long run. The outstanding credits granted to the acquisition of housing represent nearly 27% of GDP and nearly



30% of the assistance to the economy. The level of development of the economy did not allow to support such economic choices.

Housing prices have increased disproportionately to the evolution of the purchasing power of households. This rise in prices is essentially explained by the increase in several cost elements, notably the land burden, the tax burden and the cost of technical inputs. Despite the reduction in bank interest rates and the various incentives granted by the State to the sector, the impact on prices has not been significant enough. Several factors explain this phenomenon.

## VI. CONCLUSION

The data provided by the last three general housing and population censuses have made it possible to measure the impact of the housing policies that have followed one another since the independency period on the improvement of housing conditions, on the one hand, and on the volume of the housing stock itself and its structure, on the other. The analysis of the housing stock through the three recreations has also allowed us to identify the main trends in the way Moroccans live.

Among the most important findings of this research is the decrease in the relative weight of the unhealthy housing component. This is the direct effect of the housing policies that we reviewed in the first research of this chapter. The second major finding is the evolution of the rate of urbanization, which is now an important factor in any strategic planning of the territory. Cities are becoming more and more populated at the expense of a rural environment that is losing its population, with all the consequences that this phenomenon has for both the Moroccan countryside and the cities. This accelerated urbanization generates additional pressure on the housing sector, which requires greater efforts to ensure a permanent balance in the real estate market.

The third major observation is the trend towards ownership. Moroccan society is increasingly becoming a society of owners. This trend is the direct result of public housing policies that encourage access to ownership. This economic choice now requires a real debate to decide whether to continue along this path, which is costly to the national economy, or to initiate a real reform of the rental sector.

The vacant stock in Morocco is beginning to represent an important component. This new phenomenon is explained by several factors, on the one hand, Moroccans living abroad who prefer to have a home in their country of origin. But also finds its explanation in the behavior of some actors who prefer to invest their money in housing, which begins to represent a safe haven for a profitable investment. The State needs more data on this phenomenon to be able to provide adequate remedies to this phenomenon that neutralizes the efforts made in housing development.

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