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The Role of Fiscal Governance in Shaping the Financial Equilibrium of Social Protection in Morocco

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Abstract:

The generalization of social protection in Morocco represents a major public reform aimed at strengthening social justice and expanding access to healthcare, family allowances, retirement systems, and income protection. However, the sustainability of this reform raises significant financial challenges related to the mobilization and governance of public resources. This article examines the role of tax governance in ensuring the financial equilibrium of social protection in Morocco. The research addresses the following problem: how can tax governance contribute to the sustainable financing and long-term stability of social protection systems in Morocco? The study adopts a qualitative and analytical methodology based on constitutional and legislative analysis, public finance literature, institutional reports, and comparative experiences related to earmarked taxation and environmental taxation. The findings show that tax governance plays a central role in strengthening financial sustainability through resource mobilization, fiscal redistribution, transparency, and institutional coordination. The article also highlights the growing importance of earmarked taxation and environmental fiscal instruments as complementary financing mechanisms for social protection. Nevertheless, several structural challenges remain, including the informal economy, fiscal inequalities, governance fragmentation, and demographic pressures. The study concludes that strengthening fiscal governance, improving tax equity, modernizing tax administration, and integrating environmental and social objectives are essential conditions for maintaining the financial equilibrium and sustainability of social protection in Morocco.

Keywords: Tax governance; Social protection; Fiscal sustainability; Environmental taxation.

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1. Introduction

The issue of social protection financing has become one of the central challenges of contemporary public finance systems. In Morocco, the launch of the reform aimed at generalizing social protection has profoundly transformed the relationship between the State, taxation, and social solidarity. The implementation of compulsory health insurance, family allowances, retirement extension, and unemployment protection requires significant and sustainable financial resources.

In this context, tax governance appears as a strategic mechanism for ensuring the financial equilibrium of social protection. Beyond its traditional role of resource mobilization, taxation has become an instrument of redistribution, social justice, and economic regulation. The Moroccan experience illustrates the transition from a fragmented social assistance model toward a universal rights-based social protection system.

The main research question addressed in this article is the following: to what extent can tax governance contribute to ensuring the financial equilibrium and sustainability of social protection in Morocco?

This article adopts a doctrinal and analytical methodology based on constitutional texts, legislative reforms, institutional reports, and economic literature related to fiscal governance and social protection financing.

2. Literature Review

The existing literature on social protection financing in Morocco has largely focused on institutional reforms, healthcare coverage expansion, and fiscal modernization. Numerous studies have analyzed the constitutionalization of social rights under the 2011 Constitution (Constitution of the Kingdom of Morocco, 2011) and the implementation of Framework Law No. 09-21 relating to social protection (Framework Law No. 09-21, 2021).

Other works[1] have explored the role of fiscal reforms, environmental taxation, and redistribution mechanisms in promoting social justice and sustainable development.

However, despite the growing academic interest in Moroccan fiscal reforms and social protection policies, significant research gaps remain.

[1] Several studies have examined Moroccan fiscal reforms and environmental taxation from different perspectives. See, for example, Falhaoui et al. (2017) on green taxation and fiscal reform in Morocco; El Boukhari and Bentaleb (2022) on carbon taxation and energy transition; Ennajar and Lahlimi (2024) on redistribution mechanisms and social equity; and reports by the OECD (2020) and the World Bank (2023) concerning fiscal modernization, sustainable development, and public finance governance in Morocco.

First, most studies approach taxation and social protection separately, without sufficiently examining the interactions between tax governance and the financial equilibrium of social protection systems.

Second, existing analyses often emphasize legal and institutional dimensions while neglecting the governance mechanisms that determine the sustainability and efficiency of financing models.

Third, the relationship between earmarked taxation, environmental taxation, and social protection financing remains underexplored within the Moroccan context.

Finally, comparative perspectives concerning the use of fiscal governance as a tool for ensuring actuarial sustainability and social redistribution are still limited in Moroccan scholarship.

This article seeks to address these gaps by proposing an integrated analysis linking constitutional law, fiscal governance, public finance, and social protection sustainability.

3. Methodological Framework

This article adopts a qualitative doctrinal and analytical methodology combining legal analysis, public finance analysis, and comparative policy review.

The research is primarily based on:

- Constitutional and legislative texts relating to social protection and fiscal reform in Morocco;
- Institutional reports issued by Moroccan public authorities and international organizations;
- Academic literature on tax governance, environmental taxation, and welfare state financing;
- Comparative experiences concerning earmarked taxation and social protection financing.

The methodological approach relies on an interdisciplinary framework combining legal analysis, fiscal governance theory, and public policy evaluation in order to assess the role of taxation in shaping the financial equilibrium of Moroccan social protection.

4. Results and Discussion: Tax Governance and the Financial Equilibrium of Social Protection

1. Constitutional and Legislative Foundations of the Right to Social Protection

1.1 Constitutional Recognition of the Right to Social Protection

The adoption of the 2011 Constitution marked a major transformation in Moroccan social law by elevating social protection to the rank of a fundamental constitutional right. Article 31 of the Constitution provides that the State, public institutions, and territorial collectivities shall mobilize all available means to facilitate equal access for citizens to healthcare, social protection, medical coverage, and mutual solidarity.

This constitutional recognition reflects the emergence of the social State governed by the rule of law and establishes social protection not merely as a political orientation but as a constitutional obligation imposed upon public authorities. The Constitution thus integrates principles of substantive equality, social solidarity, and universal access to social rights.

The constitutionalization of social protection also reinforces the normative value of social rights within the Moroccan legal order. Moroccan constitutional jurisprudence increasingly recognizes the binding character of social rights when implemented through legislative mechanisms.

1.2 Evolution of Sectoral Social Protection Laws

For several decades, the Moroccan social protection system was characterized by institutional fragmentation and sectoral approaches. This fragmentation weakened the effectiveness and coherence of social policies.

The first major reform was Law No. 65-00 establishing the Basic Mandatory Health Insurance (AMO) system and the Medical Assistance Scheme (RAMED)[2]. This reform represented the first normative step toward the universalization of healthcare access.

Subsequently, Law No. 98-15 extended compulsory health insurance to self-employed workers and liberal professions, in line with the recommendations of the International Labour Organization and Convention No. 102 on social security.

Law No. 99-15 concerning health insurance for students further reinforced the progressive universalization of healthcare access.

[2] RAMED (Régime d'Assistance Médicale) was Morocco’s medical assistance scheme for vulnerable populations, which has been largely phased out and replaced by the compulsory health insurance system (AMO) as of December 1, 2022. This shift is part of a nationwide initiative to provide universal healthcare to all citizens, automatically transferring former RAMED beneficiaries to AMO, enabling them to access public and private health services.

Another important legislative reform was Law No. 72-18 establishing the Unified Social Register (RSU)[3], intended to improve transparency, targeting efficiency, and rationalization of social policies through an integrated household identification system.

The cornerstone of the reform remains Framework Law No. 09-21 relating to social protection. This law establishes the legal and institutional architecture of the universal social protection system in Morocco. Article 2 explicitly affirms the principle of universality by recognizing social protection as a right for all residents of the Kingdom.

The law also establishes a phased implementation calendar covering the period 2021–2025, including the progressive generalization of compulsory health insurance, family allowances, retirement schemes, and unemployment benefits.

Framework Law No. 09-21 therefore constitutes a genuine instrument of legal governance, aligning Moroccan legislation with international social protection standards promoted by the International Labour Organization.

2. Financing Mechanisms and the Role of Tax Governance

2.1 Dual Financing Logic: Contribution and Solidarity

Chapter II of Framework Law No. 09-21 establishes two complementary financing mechanisms.

First, a contributory mechanism applies to individuals capable of financing their own social protection through social contributions. This mechanism relies on prior payment of contributions by insured persons or third parties acting on their behalf.

Second, a solidarity-based mechanism targets economically vulnerable populations unable to finance social contributions. In this case, the State assumes responsibility for financing social protection through public resources.

Article 12 of Framework Law No. 09-21 specifies that solidarity financing may rely on:

- State budget allocations;
- Earmarked tax revenues allocated to social protection financing;
- Resources resulting from compensation system reform;
- Donations and legacies;
- Other legally authorized resources.

[3] The Unified Social Register (RSU - *Registre Social Unifié*) is a national information system in Morocco designed to improve the targeting and efficiency of social protection programs. It allows households to register, providing a basis for determining their eligibility for various social assistance programs, including direct financial support.

The explicit reference to earmarked tax revenues represents a major evolution in Moroccan public finance law because it partially derogates from the traditional principle of non-earmarking of public revenues (OECD, 2020).

Many countries have adopted earmarking mechanisms to allocate specific tax revenues to the financing of public programs, particularly in the fields of healthcare and social protection. These mechanisms generally take two main forms: *hard earmarking* and *soft earmarking*.

Hard earmarking refers to the allocation of all or part of a specific tax revenue exclusively to a designated expenditure program. In this case, the revenues are separated from the general State budget and cannot be used for other purposes. This mechanism may also involve allocating a fixed percentage of a particular tax to finance a specific public policy sector.

By contrast, soft earmarking occurs when earmarked tax revenues finance only part of a program's expenditures, while the remaining funding is covered by the general State budget. Social security contributions constitute a common example of this flexible financing mechanism.

At the international level, earmarking taxes on products harmful to health, such as tobacco and alcohol, has become a widespread practice to support healthcare systems and social protection programs.

This mechanism presents several advantages.

First, it strengthens the political legitimacy and public acceptability of taxation, since taxpayers are generally more willing to support taxes that are explicitly linked to socially beneficial objectives (OECD, 2020).

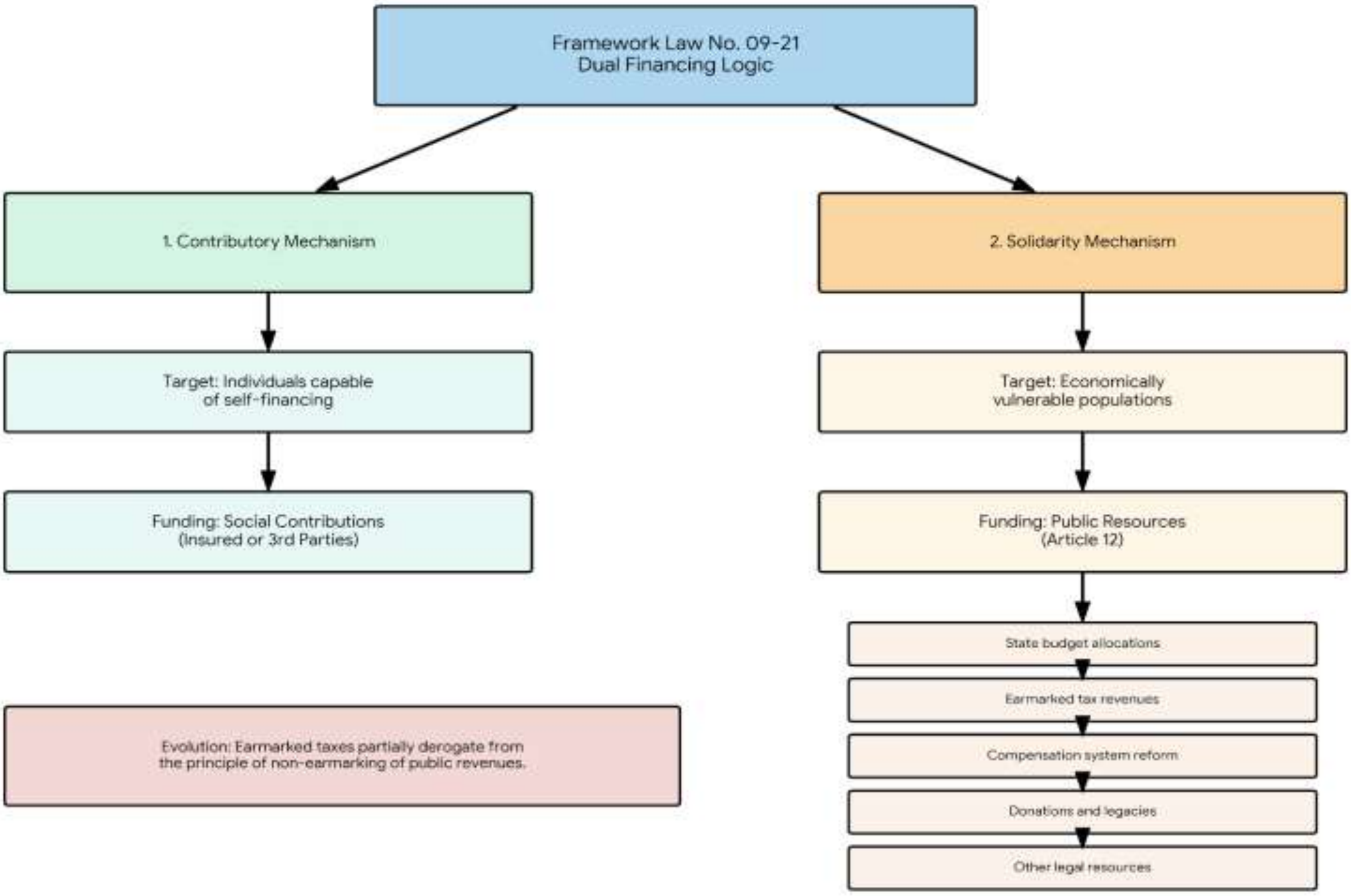
Second, earmarking improves fiscal transparency by providing citizens with clearer information regarding the actual cost of public programs, particularly in the healthcare sector (OECD, 2020).

Third, earmarked financing enhances the predictability and stability of public resources, thereby facilitating long-term budgetary planning and reducing financial uncertainty in social sectors (OECD, 2020).

Finally, earmarking mechanisms may reinforce principles of solidarity and redistribution by ensuring sustainable financing for social protection systems, especially in sectors characterized by increasing financial pressures such as healthcare and social welfare (OECD, 2020).

This development demonstrates the increasing role of fiscal governance in ensuring the sustainability of social protection systems.

Figure 1. Dual Financing Mechanisms of Social Protection under Framework Law No. 09-21



Source: Author's elaboration based on Framework Law No. 09-21 on social protection.[4]

2.2 Tax Governance and Financial Equilibrium

Tax governance refers to the mechanisms, institutions, and public policies through which tax systems are designed, administered, and controlled in order to ensure efficiency, equity, transparency, and accountability.

[4] Author's elaboration based on the provisions of Framework Law No. 09-21 relating to social protection, particularly the financing mechanisms established under Articles 11 and 12 concerning contributory and solidarity-based funding of the generalized social protection system in Morocco

Within the framework of social protection reform, tax governance performs several strategic functions.

First, it ensures the mobilization of sufficient and stable public resources necessary for financing social programs.

Second, it contributes to social redistribution by correcting socio-economic inequalities through progressive taxation mechanisms.

Third, tax governance strengthens public trust and institutional legitimacy through transparency and accountability.

The financial equilibrium of social protection systems depends largely on the State's capacity to maintain sustainable revenue flows while controlling public expenditure growth.

In Morocco, demographic changes, the expansion of healthcare coverage, and rising social expenditures increase pressure on public finances[5]. Consequently, fiscal governance becomes a determining factor in preserving the long-term sustainability of social protection.

Tax Governance and Sustainable Financing of Social Protection in Morocco

1. Fiscal Reform and Resource Mobilization

The Moroccan tax system has undergone significant reforms in recent years, particularly through Framework Law No. 69-19 on tax reform. This reform aims to modernize the fiscal system while promoting economic efficiency, social justice, and sustainable development.

The reform emphasizes the principles of tax equity, fiscal neutrality, broadening of the tax base, and reduction of tax evasion.

The integration of environmental taxation and solidarity-based taxation into the fiscal system reflects the growing role of taxation as a tool for social and environmental governance.

Fiscal reforms also seek to improve the performance of tax administration through digitalization, electronic declaration systems, and enhanced monitoring mechanisms.

These reforms contribute directly to increasing public revenues and improving the financial capacity of the State to finance social protection programs.

2. Environmental Taxation and Social Protection Financing

Table 1. International Examples of Earmarked Tobacco Taxation for Health Financing

[5] Rising social expenditures are placing significant pressure on Morocco's public finances in 2026, as the government accelerates its "social state" initiative, including expanding health coverage and direct financial aid. Despite strong tax revenue performance, the budget deficit increased significantly in early 2026 compared to the same period in 2025,

Country	Description
Argentina	A tax equivalent to 7% of cigarette retail prices is allocated to financing social and health programs.
Cape Verde	All tobacco excise revenues are allocated to sports and health financing.
Colombia	All revenues from ad valorem excise duties (10% of retail price) and most revenues from specific excise duties are allocated to health insurance financing.
Costa Rica	All revenues from specific tobacco excise duties are allocated to financing prevention and treatment programs related to tobacco diseases and cancer.
Egypt	Additional levies are imposed on each cigarette pack to finance student health insurance and the national health insurance system.
El Salvador	35% of revenues generated from excise duties on tobacco, alcohol, and arms are allocated to the health solidarity fund.
Guatemala	All tobacco excise revenues are allocated to financing healthcare programs.
Indonesia	A 10% surtax is imposed on tobacco excise duties, with at least 50% of revenues allocated to regional health programs and health insurance financing.
Panama	50% of tobacco tax revenues are allocated to the National Cancer Institute and the Ministry of Health.

Paraguay	40% of tobacco excise revenues are allocated to the Ministry of Health for prevention and treatment of non-communicable diseases, while 18% finances sports development.

***Source**: World Health Organization (WHO, 2019).*

The international experiences presented above demonstrate that earmarked taxation has become an important mechanism for financing healthcare systems and social protection programs. These comparative experiences illustrate how excise duties on tobacco products may simultaneously pursue public health objectives and strengthen the financial sustainability of social protection systems.

For Morocco, these international models provide valuable lessons regarding the possibility of allocating specific fiscal revenues to the financing of social protection, particularly within the framework established by Framework Law No. 09-21. The explicit recognition of earmarked fiscal revenues in Article 12 reflects an evolution toward more flexible and solidarity-oriented fiscal governance mechanisms.

Environmental taxation constitutes one of the emerging dimensions of Moroccan fiscal governance.

Green taxation is generally defined as a set of fiscal instruments intended to integrate environmental considerations into economic decision-making processes by internalizing negative environmental externalities.

The theoretical foundations of environmental taxation derive from the polluter-pays principle and Pigouvian taxation theory.

According to the polluter-pays principle, economic actors responsible for environmental degradation must bear the costs associated with pollution prevention and environmental restoration.

Environmental taxation therefore seeks to align private economic costs with social and environmental costs.

Carbon taxation represents one of the most significant instruments of environmental fiscal policy. By assigning a monetary cost to greenhouse gas emissions, carbon taxes encourage economic actors to adopt cleaner technologies and reduce carbon-intensive activities.

The Moroccan fiscal reform increasingly integrates environmental concerns into taxation policy. Framework Law No. 69-19 explicitly recognizes green taxation as a strategic instrument capable of reconciling economic efficiency, energy transition, and social justice.[6]

Environmental taxation can also contribute indirectly to financing social protection through earmarked fiscal revenues.

The theory of the "double dividend" suggests that environmental taxes may simultaneously generate environmental benefits and economic or social benefits through efficient redistribution of fiscal revenues.

In Morocco, revenues generated through environmental taxation could potentially finance healthcare systems, family allowances, and social solidarity mechanisms.

However, the implementation of carbon taxation also raises several socio-economic challenges.

Critics argue that environmental taxation may produce regressive effects by disproportionately affecting low-income households whose expenditures are concentrated on energy and transportation.

Consequently, social acceptability requires the implementation of compensatory redistribution mechanisms targeting vulnerable populations.

3. Institutional and Financial Challenges

Despite important reforms, several structural challenges continue to affect the sustainability of social protection financing in Morocco.

3.1 Informal Economy and Fiscal Evasion

The persistence of the informal sector significantly reduces the State's fiscal capacity and weakens the contributory basis of social protection systems.[7]

A large proportion of workers remain outside formal taxation and social contribution systems, thereby limiting financial resources available for social protection.

Tax evasion and fraud further aggravate public revenue losses.

Strengthening fiscal governance therefore requires improved tax compliance, simplification of procedures, and enhanced integration between tax administration and social protection institutions.

[6] Although Framework Law No. 69-19 recognizes environmental taxation as a strategic component of fiscal reform, Morocco has not yet implemented a fully operational explicit carbon tax system. Current measures remain largely indirect and are mainly based on excise duties applied to fossil fuels, tax incentives for renewable energy, and fiscal advantages granted to low-carbon investments. The effective implementation of a comprehensive carbon taxation mechanism remains subject to institutional, economic, and social considerations, particularly regarding competitiveness, inflationary effects, and social acceptability.

[7] In its broadest acceptance, the informal economy (IE) continues to be a highly pervasive and intricate phenomenon, accounting for up to 30% of GDP according to the latest statistics from Bank Al-Maghrib (2018). National and international institutions estimate that between 60% and 80% of the working population in Morocco is engaged in informal activity.

3.2 Institutional Fragmentation and Governance Deficits

Although Morocco has initiated institutional unification reforms, governance fragmentation remains a challenge.

Coordination difficulties between fiscal authorities, social protection institutions, healthcare agencies, and territorial collectivities may reduce administrative efficiency.

The success of universal social protection depends on integrated governance mechanisms capable of ensuring transparency, accountability, and effective resource allocation.

3.3 Budgetary Pressures and Demographic Challenges

The expansion of social protection coverage increases public expenditure requirements. Population aging, healthcare inflation, and labor market transformations create long-term financial pressures on social security systems.

Maintaining financial equilibrium therefore requires a balance between revenue mobilization, expenditure rationalization, and economic growth.

Toward a Sustainable Model of Fiscal Governance for Social Protection

1. Strengthening Fiscal Justice and Redistribution

Fiscal justice constitutes a central condition for ensuring the legitimacy and sustainability of social protection financing.

Progressive taxation mechanisms may contribute to reducing inequalities while strengthening solidarity-based financing.

Broadening the tax base, combating tax privileges, and improving wealth taxation could generate additional resources for social protection.

2. Digitalization and Modernization of Tax Administration

Digital transformation represents a major opportunity for improving fiscal governance.

Electronic tax declarations, digital payment systems, and integrated social registries contribute to improving transparency, reducing fraud, and increasing administrative efficiency.

The Unified Social Register (RSU) constitutes an important step toward data integration and better targeting of social policies.

3. Integrating Environmental and Social Objectives

The Moroccan experience demonstrates the growing interdependence between environmental governance and social governance.

Green taxation may become an important source of financing for sustainable social protection systems while simultaneously supporting ecological transition.

However, the success of environmental taxation depends on social acceptability, redistribution mechanisms, and institutional transparency.

4. Comparative Perspectives

International experiences provide valuable lessons for Morocco.

Countries such as France , Sweden and Canada have successfully implemented carbon taxation while maintaining economic competitiveness and financing social redistribution programs.

Figure 2 :Top 15 Countries by Carbon Tax Revenue

Source: Voronoi, based on data from the *World Bank, State and Trends of Carbon Pricing Report (2023)*

These experiences highlight the importance of gradual implementation, transparency, and redistribution of fiscal revenues.

Morocco may draw inspiration from these comparative models while adapting reforms to its socio-economic specificities.

5. Conclusion

The generalization of social protection in Morocco represents a major transformation of the Moroccan social State.

Its success depends largely on the State's capacity to establish sustainable and equitable financing mechanisms.

Tax governance plays a central role in shaping the financial equilibrium of social protection by ensuring resource mobilization, redistribution, transparency, and institutional legitimacy.

Framework Law No. 09-21 and recent fiscal reforms illustrate the emergence of a new governance model integrating social solidarity, fiscal justice, and sustainable development.

Nevertheless, several challenges remain, including the informal economy, governance fragmentation, fiscal inequality, and demographic pressures.

Strengthening fiscal governance therefore requires comprehensive reforms combining tax modernization, institutional coordination, environmental taxation, and social redistribution.

Ultimately, the Moroccan experience demonstrates that sustainable social protection cannot be dissociated from efficient and inclusive tax governance.

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