

## Financial Sector Reforms in Algeria, Tunisia and Morocco

Messaoudi Ali <sup>1</sup>, Abdelaziz Berna <sup>2</sup>

1. University Centre of ILIZI (ALGERIA), [ali.messaoudi@cuillizi.dz](mailto:ali.messaoudi@cuillizi.dz)

2. University of ghardaia (ALGERIA), [aziz.berna@yahoo.fr](mailto:aziz.berna@yahoo.fr)

### Abstract:

This paper review assesses the Financial Sector Reforms in Algeria, Tunisia and Morocco, from this standpoint, light was shed on the status of these reforms within the International Monetary Fund's programs and the most important things that the three countries have done at the level of tax and banking systems, as well as the laws that govern them, in addition to monetary and financial policy.

As for the normative study, it was conducted on the basis of the ARDL model by choosing three independent variables represented by government spending, money supply, and the exchange rate, and a dependent variable represented by the gross domestic product, which expresses the gross domestic product's impact of these reforms on the economies of these countries, this study produced weak results, within this model, with the exception of Morocco, which achieved somewhat acceptable results compared to Algeria and Tunisia, this may be due to the fact that these reforms do not fit with the structure and specificity of the economies of these three countries under study.

**Keywords:** financial reforms, monetary reforms, fiscal policy, monetary policy, ARDL.

**JEL Classification:** H11; H5; H6; E6.

### 1. Introduction

The three Maghreb countries, Tunisia, Morocco, and Algeria, are among the countries that suffered from economic difficulties in the eighties and early nineties, which forced them to turn to international institutions for debt in light of their inability to mobilize their internal resources and their economy's lack of vital productive sectors capable of creating added value. This is a result of the dominance of the public sector and the state's excessive interference in economic life, and on the other hand the dominance of one sector over its revenues. As a result of this trend towards debt, it has become necessary for these three Maghreb countries to adopt economic reform programs (economic stabilization programs and structural adjustment programmes) as conditionalities as a result of their receipt of these loans. In addition, the economic reform programs contain a set of policies directed to influence the level of aggregate demand in the economy with the aim of removing imbalances between aggregate demand and supply by reducing the surplus aggregate demand in the economy to match the prevailing level of aggregate supply, by relying on economic stability policies supported by the Fund. International Monetary Policy, Fiscal and Monetary Policy Reform and Exchange Rate Policy.

From the previous paragraph, it is clear that the economic stabilization program requires, according to its requirements, carrying out financial and monetary reforms through the use of a strict financial and monetary policy in this regard, which ultimately helps increase supply by stimulating internal absorptive capacity, with the aim of absorbing spending and reducing the import bill, and then Improving the current account balance, which is considered the main component of the balance of payments, as the latter is the primary goal behind all these reforms, through Tunisia, Algeria, and Morocco undertaking financial and monetary reforms by improving their legislation at the level of the Finance Law and their banking systems that suggest in their content an orientation towards the private sector. And limiting the expansion and dominance of the public sector in managing economic activity due to the disappointing results that experience has proven in this regard, in an effort to achieve the objectives of financial and monetary reforms in accordance with what the reform programs require in this regard, through rationalizing public spending and reducing current expenditures in particular. To reduce its burden on the general budget, and to impose tax reform that would enable the provision of significant revenues to the state, all for the purpose of targeting the deficit in the general budget of these countries, which has weakened their economies, and this is at the level of financial reforms. As for monetary reforms, it seeks through them to give greater scope to private banks and to liberalize prices. Interest is according to the requirements of supply and demand in this regard, with the aim of reaching economically viable banking products at a low cost that are capable of stimulating the economy by creating projects that create added value and thus generate resources for the state, instead of relying on the public sector, which always prioritizes social considerations over

production considerations. And efficiency in financing projects, which ultimately results in raising inflation rates and reducing the purchasing power of society. In this context, monetary reforms also aim to reform the exchange rate, get rid of its exaggeration, and make it subject to factors of demand and supply, with the aim of creating services and goods capable of competing at the international level on a local level. .

Taking into account the above, and in light of the three Maghreb countries under study floundering over major economic problems and imbalances at the level of the general budget deficit and the current account, and in light of the absence of a fair tax system capable of bringing in tax revenues that would raise the state's public revenues, in addition to the excessive spending that these countries have experienced, General and lack of rationality in spending it, which contributed to increasing the burden on the budget level of these governments on the one hand, and on the other hand the absence of an effective banking system capable of mobilizing internal resources and directing them optimally and more efficiently, as it would have been better for these governments to adopt serious and effective financial and monetary reforms. It is sufficient to fix these economic conditions and the general balances resulting from them.

From this, the following main question can be asked:

What is the extent of the impact of financial and monetary reforms on the economies of the Maghreb countries - Tunisia, Algeria, Morocco?

### **1.1 research importance:**

The importance of the research lies in the major role that financial and monetary reforms play through their requirements on the economies of the Maghreb countries (Tunisia, Morocco, Algeria), as they target the most important problems that these countries suffered from previously, especially at the present time, which lie in the general budget deficit and the absence of a tax system. Fair and effective, in addition to the absence of a banking system that would absorb the state's financial resources and direct them towards more efficient uses, and then either reduce or eliminate external debt. On this basis, the researcher seeks to achieve a number of goals that can be clarified through the following:

- Understanding the theoretical framework of financial and monetary reforms, and highlighting their causes and their place in economic reforms in general.
- Highlighting the most important financial and monetary reforms undertaken by the three Maghreb countries under study, precisely defining their elements and tracking the development of the measures taken over the study period.
- Determine the extent of the variation in the economic repercussions resulting from the adoption of these reforms in accordance with economic stabilization and structural adjustment programs, with the aim of arriving at an objective assessment of the extent of the success or failure of these reforms, thus forming an accumulation of knowledge whose data can be used in the future.
- An attempt to model the relationship between financial and monetary reforms and the economies of the three Maghreb countries: Tunisia, Algeria, and Morocco.

## **2. Theoretical framework**

In fact, what the economic reform strategy aims to achieve is many and different from one country to another and from one period of time to another depending on the circumstances surrounding it (economic, social, political...), as well as the internal and external variables that occur to it. In general, the dimensions of the economic reform strategy can be classified into two dimensions. Two basic principles: the first represents a common dimension among all reform programs in these countries, and the second is different between them. (Nawari, 2008)

There is no doubt that every work has problems and shortcomings, which if we do not deal well with them or avoid them, the consequences will be dire, especially in the case of economic reforms, as it is a complex and complex process in several areas, and therefore it is rational to avoid anything that might discourage this process. Below we will try to address it. Some of these problems.

First: the appropriate sequence of economic reform.

Theoretical analysis requires that we begin by addressing the most costly distortions in the early stages of the reform process and then we gradually move to the lowest cost. Thus, most economists see that achieving stability at the macroeconomic level comes in the first stage, and is then followed by liberalizing the markets for products and the capital market. Then comes the reform of the commercial sector. At the same time, many specialists believe that the liberalization of capital operations comes in the late stages. Thus, the first task is to gradually abolish internal restrictions

on prices, wages, and investment. Many attribute that to the liberalization of financial markets and the gradual liberalization of foreign trade. It is not supposed to precede the liberalization of capital markets. (Jnaidi, 2015)

### **2.1 The relationship between the credibility of reform and its success process.**

Credibility represents the indicator that measures the extent of the state's commitment to implementing economic reform programs, and the relationship is undoubtedly positive between the expectations of members of society for this credibility and the success of those programs. If experience indicates that the government is not committed to its policy, this will constitute a historical weakness of its credibility, which will make members of society move in the wrong direction. The conduct of the government, and poor selection of the speed or sequence of the program will hinder society's response to it. Thus, the government's credibility with the people plays a major role in implementing reform programs. Therefore, the credibility of the program will only be through the extent of popular participation in its implementation, which makes the people responsible for its results. It should be noted here that the state can raise its credibility and thus the credibility of its programs by achieving economic and social stability, implementing reform programs in a logical sequence, and choosing an appropriate timing and speed that is consistent with the speed of rotation of the wheel of the economy in question.

### **2.2 Read about each of the economic reform programs adopted by the Fund and the World Bank.**

Despite the lack of uniformity between the contents of reform programs from one country to another in terms of the degree of reliance on some measures more than others, the recipe included in the programs of the Fund and the Bank in general is almost constant, and this fact represents one of the main criticisms directed at the Fund and the Bank, given that there is a difference in the size and nature of economic gaps and imbalances from one country to another, which requires a difference in the quality of reform. (Jamil, 2017)

### **Introducing the economic reform program.**

The economic stabilization policy is the specialty of the International Monetary Fund, and it is a short-term program that focuses on managing the demand side by following a contractionary fiscal and monetary policy aimed at addressing the deficit in the general budget and in the balance of payments in the countries concerned. As for the structural adjustment policy, it is the specialty of the World Bank in the medium and long term. In the long term, it focuses on correcting the structure of production and managing the supply side through reforming price policy, liberalizing international trade, liberalizing investment, and liberalizing labor and capital markets in a way that ensures that these elements are used more efficiently in the production process, as well as redistributing roles between the private and public sectors of the so-called Privatization policy. (Qader, 2008)

### **2.3 Introducing the structural adjustment program (correction policy)**

Structural adjustment is a set of coordinated and flexible plans and policies that aim to reduce excess aggregate demand, adapt consumption patterns, improve the efficiency of resource allocation, restore balance and price stability, remove distortions from markets, and raise the country's economic efficiency. (Qader K. A., 2008)

#### **2.3.1 financial policies.**

According to the International Monetary Fund, the general budget deficit in developing countries is considered one of the main reasons that led to a deficit in the balance of payments of these countries, and therefore the general budget deficit must be addressed, given that the state's general budget deficit results from the expansion of public spending, both current and investment, and this The expansion of public spending constitutes a significant proportion of aggregate demand. (Hafeez, 2017)

Below we discuss the most important policies proposed by the International Monetary Fund that countries should follow to reduce their expenditures and increase their revenues.

Policies related to reducing public spending: These policies are summarized in:

- Making significant reductions in the item of transfer expenditures of a social nature, especially those expenditures related to subsidizing the prices of basic food commodities, so that subsidies for those commodities are canceled either all at once or gradually until the prices of these commodities are at least equal to their real cost;
- The state adopts new policies towards employment and wages, through its gradual abandonment of employing the workforce.

- Getting rid of the support that the state grants to loss-making public sector units, and this is done by privatizing or liquidating these units, or by reorganizing them according to sound economic and commercial foundations so that they can achieve profits;

**2.3.2 Policies related to increasing revenues:** These policies are summarized in:

\* Raising the prices of energy materials, especially materials used for family consumption, in order to bring their prices closer to international prices, as well as increasing fees for services provided by the state to citizens or imposing fees on the free services it provides;

\* Making reductions in tax rates because reducing taxes motivates taxpayers to pay the taxes they owe, and thus reduces the chances of tax evasion. This is in addition to the fact that reducing taxes is a motivating factor for increasing production and investment. All of this would contribute to expanding the scope of tax imposition and creating tax bases. new and thus increased revenues;

\* The state addresses the problem of the parallel sector, either by granting it legitimacy or by eliminating the reasons that led to its emergence.

### **2.3.3 Monetary policies.**

The International Monetary Fund attributes the problem of economic instability and imbalance to essentially monetary reasons. Accordingly, monetary policies occupy a central position in the process of addressing the state of economic instability and are a major policy of the Fund in this field. The Fund's policies in the monetary field include the following: (Nawari, 2008)

- Restricting the credit granted by the banking system: For the state and the public sector, resorting instead to the state's reliance on obtaining its resources from individuals, in order to reduce the money supply (fighting inflation), that is, they reject the central banks' resort to excessive money issuance at the request of the government, which is what It's called deficit financing;
- Reducing the value of the country's external currency: Economic adjustment programs see that the currencies of developing countries are overvalued, causing pressure on the balance of payments. In order to improve the conditions of foreign trade, the value of the currency should be reduced to reach its real value, in order to increase exports and reduce imports. Which contributes to strengthening the balance of payments and reducing its deficit.
- Raising real interest rates: Most developing countries suffer from a basic problem, which is that nominal interest rates are often lower than inflation rates, and this situation often prevails relatively for a long period of time. Therefore, real interest rates in these stages are negative and capital is eroded. And for national savings, and hence economic adjustment programs propose raising the interest rate, in order to achieve two basic purposes: encouraging people to save, preserving national savings, and reducing the money supply, in order to absorb inflation or prevent it from occurring;

## **2.4 Exchange rate policy.**

The International Monetary Fund attaches great importance to the exchange rate policy due to the fundamental role that the exchange rate plays in the policy of reducing spending and transferring it (from goods that are imported to goods that are produced locally). In this regard, the Fund recommends following an appropriate exchange policy by reducing the value of the national currency. According to the Fund's point of view and relying on the classical theory, devaluing the currency would work to increase exports and reduce imports in the country concerned, thus increasing the state's ability to obtain foreign exchange and reducing the deficit in the balance of payments.

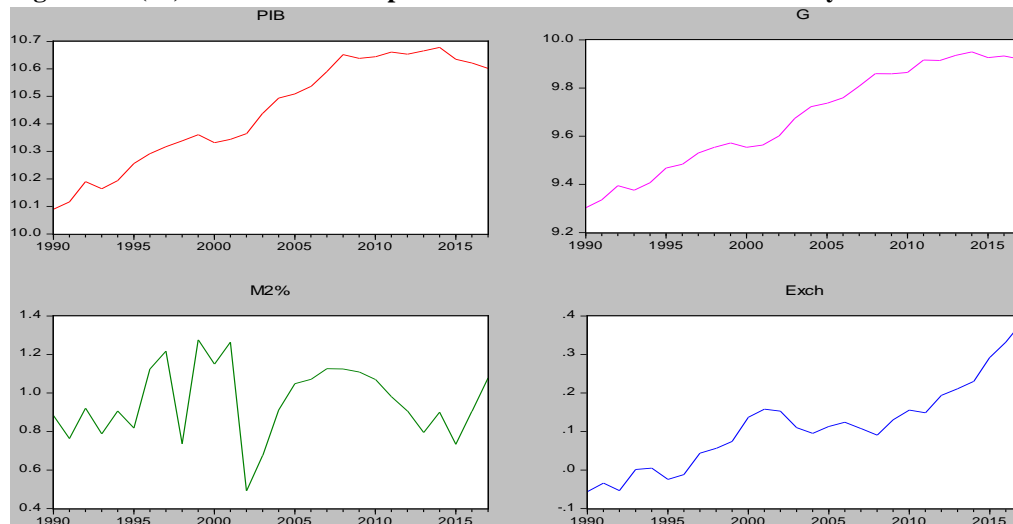
The Fund links its policy of devaluing the currency to what the exaggeration of its value may reflect on the negative impact on investment within the country in question, "as the Fund believes that foreign investment does not work or stimulate investment in countries whose currency is highly valued, or as the IMF considers it to be an overvaluation of the currency." It is known that foreign investment is rapidly moving towards countries that have liberalized their economic policies to benefit from them as a result of a decline in the value of their currency. (Knight, 1981)

### 3. Results

#### 3.1 Analysis and reading of the development of the data used in the study for Tunisia.

We will try to track the developments of the variables for the data used in the study for Tunisia through the following figure:

**Figure No. (01): shows the development of the variables used in the study for Tunisia from the year (1990-2017)**



Source: Prepared based on the Eviews program.

Through the above figure, we will begin to analyze the data one by one, as follows:

##### 3.1.1 Gross Domestic Product

From the curve above, which represents the change in Tunisia's gross domestic product, it is clear that it was improving continuously and slightly until 1994, when it reached 15.63 billion dollars in this year. This is due to the economic reform program that Tunisia adopted and which was imposed on it by the International Monetary Fund, due to... Borrowing, which aims to improve growth rates and rationalize the state's public expenditures. In 1995, the BIP reached \$18 billion with a growth rate estimated at 15.34% compared to the year 1994. This is attributed to the improvement in the profitability of the sectors of industry and tourism, as well as the improvement and tightening of tax collection.

This balanced increase continued until 2003, when its average value during the period 1990-2003 amounted to 19.17 billion dollars, and its maximum value in 2003 amounted to 27.45 billion dollars. In the year 2004, the gross domestic product achieved an estimated growth of 13.59% compared to the year 2003. This was following the issuance of Basic Law No. 42 of 05/13/2004, which regulated the provisions of the general budget in terms of implementation, payment of expenditures, and how to extract public resources, which improved the control of the state's general balances, and the situation continued until the year 2011.

##### 3.1.2 Government spending G.

Through the change in government spending of the Tunisian state, which represents financial reforms through fiscal policy, we note that until the year 2000, government spending was stable, with an average of \$2.9 billion for the period, reaching its peak of \$3.7 billion in 1999. The reason for this stability is Tunisia's entry into reforms. Economic (structural adjustment programmes) in 1986, as a result of which it received a Standby type payment in 1987, and it continued until 1988 after obtaining four expanded Fund facilities from 1988 until 1992 with a value of 215 million dollars in addition to 130 million dollars from the bank. Global and obtaining \$85 million from Italy. (MEDDEB., 2009)

These previous measures led to reducing the general budget deficit to 1.6% of the gross product in 1995 after recording 10.3 in 1990, as Tunisia was able to increase its revenues to the general budget by more than 20% in light of the increase in its tax revenues.

### 3.1.3 The monetary pool in the broad sense growth. (M2%)

The monetary supply, in the broad sense of the Tunisian state, witnessed a simple and stable growth for the period 1990 to 1996, as the average monetary supply in this period amounted to 6.9 billion dollars, reaching a maximum of 8.8 billion dollars in 1996. This is due to Tunisia's entry into economic reforms since 1986, mainly aimed at Liberalizing debit interest rates, restricting cash transactions between banks entirely within the framework of the money market, and regulating banking activity in accordance with Banking Law No. 25/94 of 02/07/1994, amended and supplemented, and paying attention to electronic banking through investment in information and communications technology. It also issued Law No. 89/94. Dated 07/26/1994, which establishes the rules of regulation and precaution, such as the financial adequacy rate in accordance with international standards (Basel Committee) within the limits of 8% of the guarantee of deposits and loans.

The year 2011 inherited major imbalances in the economy due to the expansionary monetary policy adopted by Tunisia, in order to meet the social needs of the protesters. Unemployment reached 18% in 2011 compared to 13% in 2010, and inflation reached 6% compared to 4.4% in 2010, which necessitated... The Central Bank of Tunisia took multiple steps to tighten monetary policy, including introducing liquidity to local banks, increasing the base interest rate by 50 basis points, tightening reserves for lending to customers, and setting a minimum savings rate equivalent to 2.75% in 2013 to attract small savers, while these contributed Efforts to reduce pressure are not a big bet for the monetary authorities to control monetary policy more. (Ghali and Sami Rezghavi, 2019)

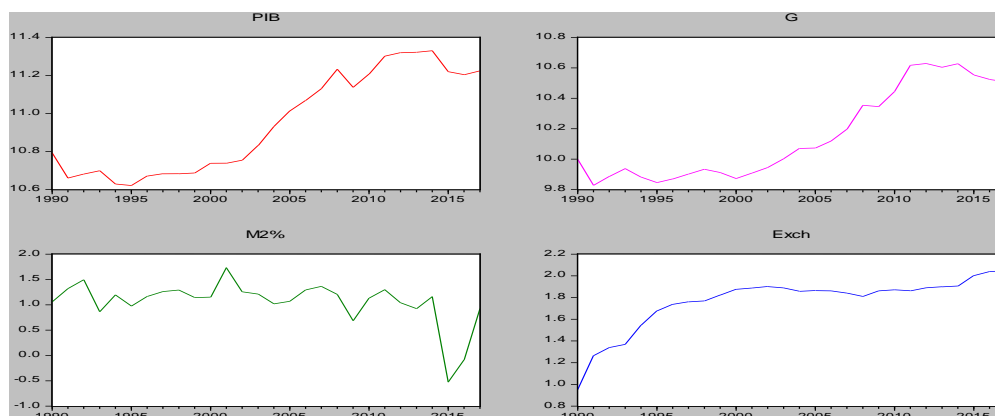
### 3.1.4 Exchange rate Exch.

We notice from the curve above that the exchange rate for Tunisia, which is part of the monetary and financial reforms, during the period 1990 to 1999 was balanced in its changes and somewhat stable, as the average exchange rate in this period reached 1.005, and reached a maximum in 1999 at 1.18 to the US dollar, due to the coincidence During this period, the International Monetary Fund imposed on Tunisia the implementation of a structural adjustment program, the result of which was the establishment of the interbank market in 1991. The current conversion of the exchange rate was reached in 1992, and in March 1994 the Tunisian exchange rate became determined by the accreditors and not by the Central Bank, which made it It has greater flexibility in order to enhance the competitiveness of exports as well as the gradual liberalization of imports.

In 2012, the Central Bank of Tunisia introduced a method of intervention in foreign exchange markets. Its intervention became based on the interbank exchange rate policy, instead of a reference exchange rate calculated using a fixed set of currencies, and it allows for a softer exchange rate policy than previous decades, as This new exchange rate system helped the Central Bank of Tunisia maintain foreign exchange reserves, facilitate external adjustment, and support the demand for funds by allocating the absorption of liquidity as a result of interventions in foreign exchange markets, which improved the exchange rate, which has become evident in recent years, as it reached... In 2016 and 2017, the values are 2.15 and 2.42, respectively. (Jnaidi, 2015)

## 3.2 Analysis and reading of the development of the data used in the study for Algeria.

We will try to develop the variables for the data used in the study for Algeria through the following figure: Figure No. (02): shows the development of the variables used in the study for Algeria from the year (1990-2017)



Source: Prepared based on the Eviews program.

Through the above figure, we will begin to analyze the data one by one as follows:

### 3.2.1 Gross Domestic Product

We note that the PIB in the period 1990 to 1999 was characterized by a kind of stability, although this period included a kind of decline and slight increase, especially in 1994, when it reached 42.54 billion dollars compared to 49.95 in 1993, due to the economic stabilization program from April 1994 to March 1995, where it resorted Algeria once again requests assistance from the International Monetary Fund to restore economic balances so that it can implement the economic reforms that the state is undertaking, especially the Monetary and Loan Law 90/10, due to the security, political and economic crisis that struck Algeria at the time, which led the government to resort to external debt, as it The average PIB during this period amounted to \$48.2 billion. After that, the PIB achieved a qualitative leap after 2000 until 2014 due to the rise in oil prices, which encouraged Algeria to enter into several programs, which as follows:

Table No. (01): Programs carried out by Algeria from (2000-2014)

Program name	Amount in dollars	The amount is in Algerian dinars	Period
Economic recovery support program	7billion dollars	525billion DZD	2004 - 2001
Supplementary program to support growth	114\$billion	8705billion DZD	2009 - 2005
Growth consolidation programme	286\$billion	21214billion DZD	2014 - 2010

Source: Based on the article: Ben Suleiman Yahya, Measuring the impact of government spending on economic growth in Algeria using the ARDL bound testing approach during the period 1980-2014, Al-Badil Economic Journal, Volume Five, Issue One, 2018, p. 97.

All of this despite the occurrence of the global crisis in 2009, which led to a decline in oil prices from \$113.03 per barrel in August 2008 to \$43.07 per barrel during February 2009. However, the Algerian economy did not quickly withstand this crisis, nor was it only a matter of time. In 2015, it collapsed. Oil prices, which led to a decrease in the PIB from \$1,213.8 billion in 2014 to \$165.98 billion in 2014, which affected the Algerian economy and made the government enter into a package of austerity.

The Algerian economy remained in this state until 2017, due to the government's weak performance in seeking to diversify the Algerian economy. And getting rid of the rentier economy. (B., 2018)

### 3.2.2 Government spending G.

In this regard, government spending was chosen as a representative of financial reforms from the perspective that financial reforms have a significant impact on financial policy, and in this regard it is a good representative and reflects the financial developments of the country that is to be studied.

In this regard, we will try to divide the curve analysis into three stages, in order to consider the financial policy followed in each period and to identify the reasons for this policy and explain it briefly:

\* The period from (1990-2000): During this period, Algeria adopted an austerity financial policy due to the financial and monetary reforms witnessed in this stage, most notably Law 90/10 related to cash and credit, in addition to the internal and external indebtedness that burdened the economy at that time, and in general it can be said That all the measures and procedures agreed upon with the International Monetary Fund on the general budget side were aimed at reducing the deficit in the general budget by reducing the size of public expenditures, as the average G in this period was \$7.92 billion, as the increase in public expenditures was at a slow pace, which is what we notice. Through the graphic curve above, public expenditures reached their highest value in this period at \$9.97 billion, which proves the austerity policy adopted by the state in this period and its preoccupation with implementing the reform package adopted by the government on the one hand and imposed by the International Monetary Fund on the other hand. It is noted that the gross domestic product keeps pace with the movement of government spending on the curve, which indicates that government expenditures are the major controller of the growth rate.

\* The period from (2000-2013): During this period, Algeria followed an expansionary financial policy due to the rise in oil prices, which did not exceed \$20 per barrel in the previous period, compared to \$50 in this period on average, as well as meeting the requirements of society that lived through a period in which capacity was weak. The purchasing power of society is in addition to the security situation and low development in most regions. In this regard, Algeria has developed

huge agreement programs that we mentioned previously, where spending achieved a qualitative leap, reaching an average of 20.23 billion dollars, reaching its highest value in 2012 with 42.48 billion dollars.

\* The period from (2014-2017): The state resumed an austerity policy due to the decline in oil prices. In this regard, the state closed all previous programs and opened them in one program and issued some instructions in this regard that enabled greater control over public expenditures, which shows the extent to which The financial situation is suffocating, which is explained by the decrease in G from \$32.23 billion in 2017 compared to \$42.31 billion in 2014, which resulted in a set of measures, such as freezing employment and stopping some materials from being imported, in order to correct the deficit in the balance of payments caused by the decline in oil prices.

### **3.2.3 The monetary pool in the broad sense (M2% growth)**

The growth of the monetary pool in the broad sense was chosen in this regard as a representative of monetary reforms from the perspective that monetary reforms have a significant impact on monetary policy, and in this regard it is a good representative and reflects the monetary developments of the country that is to be studied.

The Bank of Algeria acquired its role as responsible for monetary policy in Algeria, after the issuance of the Monetary and Loan Law, through the mechanisms and tools that were granted to it, such as the monetary regulation authority, as well as the emergence of the concept of independence, which did not exist before the 1990s. This independence is embodied through the separation of the central bank from the public treasury and the establishment of Limit on government financing by the Bank of Algeria.

From the year (2001 - 2017) the monetary supply achieved a significant increase, which is explained by the high growth rate of M2 from 14.13% in 2000 to 54.05% in 2001, that is, a difference of 39.92%, which is a significant difference due to the rise in oil prices, which helped the government to With a group of programs and huge funds in this period, to achieve a significant growth rate for the Algerian economy, but the matter did not last long, as M2 growth quickly declined to a rate of 0.29% in 2015 compared to a rate of 14.42% in 2014, with a difference of 14.13%, which was caused by the state's expansion in spending. On the one hand, and the decline in oil prices on the other hand, and on the other hand, the government's failure to seek to diversify its income, which necessitated the adoption of strict monetary measures to limit currency bleeding in order to avoid monetary imbalances in the period after 2014, and this economic situation has continued to this day.

### **3.2.4 Exchange rate Exch.**

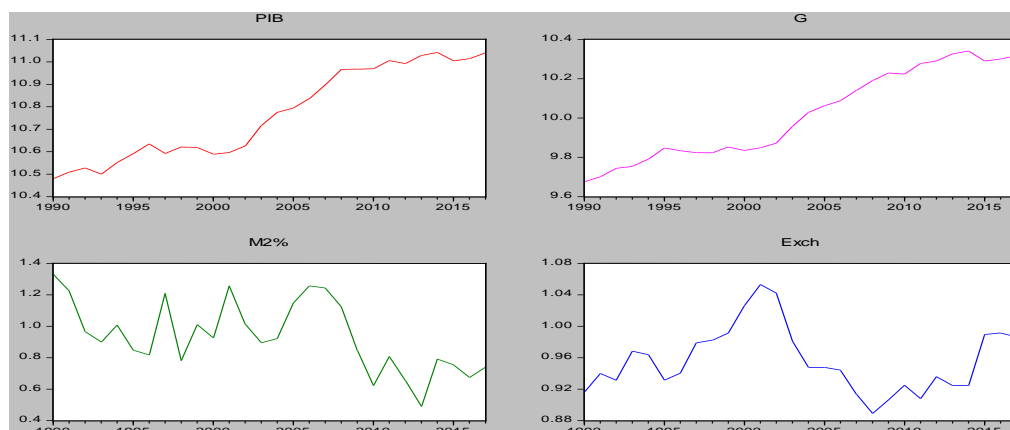
From the curve that shows the development of the exchange rate, we notice that it rose slowly until 1993, with an average of 18.16, and then achieved a qualitative leap in 1994 with 35.06 compared to 23.35 in 1993, meaning a growth rate of 50%. This is due to the policy followed by reducing the value of the currency and setting restrictions. On imports, this period coincided with the Algiers Agreement with the International Monetary Fund, with the intention of gradually abandoning the means of direct exchange control and thus lifting the restrictions imposed on foreign trade. This is with the aim of achieving the convertibility of the dinar on the one hand, and trying to reduce the exaggerated value that does not reflect the true value of the trade exchange.

Starting from 1995, the exchange rate began to rise simultaneously until 2014, when its average during this period reached 68.54, which is due to Algeria's adoption of managed floating arrangements for the Algerian dinar so that the actual determination of the dinar can be made according to the laws of supply and demand. It expresses a monetary term that has a financial impact on the PIB from During the trade balance, which achieved a surplus until 1998, then it decreased again as a result of the decline in oil prices, then it increased in 1999 with the increase in petroleum exports, which continued throughout the following years, with the exception of 2009 and 2014, which recorded a significant decrease in the size of the surplus due to the deterioration of oil prices. This proves that Algeria is very sensitive to petroleum exports, which constitute a large percentage of exports.

### **3.3 Analysis and reading of the development of the data used in the study for Morocco.**

We will try to develop the variables for the data used in the study for Morocco through the following figure Figure No. (03): shows the development of the variables used in the study for Morocco from the year (1990-2017).





Source: Prepared based on the Eviews program.

Through the above figure, we will begin to analyze the data one by one, as follows:

### 3.3.1 Gross Domestic Product

We note that there is fluctuating growth in the gross domestic product for the first four years, with an average of \$31.96 billion per year, and this is due to the reform package that Morocco adopted during this period and the shock of the economic transformation. At the beginning of the year 1994, economic growth achieved a jump estimated at approximately 12.5%, compared to the average. The negative value it achieved in 1993, estimated at (-6.1%), is due to the increase in net direct investments from \$468 million in 1993 to \$577 million in 1994, i.e. a relative increase estimated at 23%. Net portfolio investment also increased during the same period. From \$24 million to \$238 million, i.e. an increase of 900%. This unprecedented increase in portfolio investment is due to the great demand by foreign investors to buy shares of public sector companies that the government put up for sale on the stock exchange as part of the privatization process and the completion of the adopted reforms, where This significant growth in GDP continued until 2002, bringing its average during this period to 40.10 billion dollars, achieving in 2003 a significant growth estimated at 23.27% compared to the year 2002, and beginning in 2003 it achieved a qualitative leap estimated at 23.3%, and this increase continued in The growth of the gross domestic product until 2010, with an average for the period estimated at 75.04 billion dollars for the period, and may be a result of the rise in oil prices on the one hand and the improvement of tax revenues on the other hand. After this period, it was characterized by stagnation, and it may be due to the global crisis in 2008, which affected the Moroccan economy as An economy that is largely open to the outside world, and this situation continued until 2017.

### 3.3.2 Government spending G.

Through the changes in Morocco's total government spending, we note that there is a continuous increase in spending for the period 1990 until 2002, which is almost stable. This is the result of Morocco's entry into the economic reform program, which requires Morocco to rationalize expenditures and reduce the burden of government expenditures in order to eliminate or reduce the deficit. The state's general budget, which falls within the objectives of the reform programs, brought the average government spending for this period to 6.37 billion dollars, where the highest value was for the year 2002 at 7.45 billion dollars.

Beginning in 2003, government expenditures achieved a qualitative leap with a growth rate of 21.75% compared to 2002. This is due to Morocco's return to the planning work formula by adopting a five-year plan covering the period 2000/2002, for which an amount of 150 billion dirhams (15 billion dollars) was allocated to improve and revive growth. , which aims to achieve a growth rate of no less than 5%, and this increase continued to achieve qualitative leaps from the year 2007 to the year 2013 with a growth rate for the period estimated at 73.22% in government spending, due to the strong rise in the prices of petroleum products, natural gas and wheat in the global market, It decreased in 2015 and then rose slightly in 2017. (Bouhafs., 2017)

### 3.3.3 The monetary pool in the broad sense (M2% growth)

By tracking the development of the growth of the monetary supply, we find that the years 1990 and 1991 were characterized by a high rate of M2 growth estimated at 21.47% and 16.80%, respectively, which is due to Morocco's application in the period between 1983-1988 of the structural and sectoral adjustment program in agreement with the IMF. The World Bank and the World Bank and the resulting loans from these two bodies to implement this reform, and

that was through a diagnosis of the basic problem of external imbalance and the resulting external debt, which resulted in the results of growth in M2 in these two years, and with the beginning of 1992, the growth of M2 decreased. To 9.25% after it was 16.80% in 1991, this decline in the pace of growth continued until 1996, with an average for the period estimated at 8.2%, due to the strict measures taken by the Bank of Morocco with regard to managing and managing risks in the reforms undertaken in monetary policy, which urged A cautious policy under the supervision of the Central Bank of Morocco. This is due to interest rates tending to gradually decline to the target rates. In 1997, M2 achieved a qualitative leap with an estimated growth of 16.19%, and this may be due to the establishment of the central depository in this year to store the transferred values included in the account.

The period from 1998 to 2004 was characterized by stability in the growth of M2, although it achieved a qualitative leap in 2001. However, starting from 2005, M2 achieved significant growth until 2008, with an average growth for the period estimated at 15.75%, whereas the year 2006 had the lion's share of the growth, estimated at 18.09%. This is due to the reforms implemented in this period, most notably the issuance of the new Basic Law of Morocco and its entry into force in November 2005, which constituted an important turning point for monetary policy in Morocco, as it granted the Bank of Morocco independence in the field of formulating, preparing and implementing monetary policy, and maintaining price stability was considered the primary task of Morocco.

Starting from 2009 to 2017, we notice that there is control and stability in M2, and this is due to Morocco making great strides in the process of financial and monetary reforms, which resulted in noticeable control over economic budgets. (Morocco, 2019)

### **3.3.4 Exchange rate Exch.**

We note from the change in the exchange rate for Morocco that it is characterized by a kind of stability during the first three years of the study with an average of 8.49, and this is because Morocco follows the fixed (orbited) exchange rate system with the aim of controlling macroeconomic variables as a result of the reforms that it entered into during this period, and in the year 1993 it achieved The exchange rate jumped by 8.91%, moving from 8.53 in 1992 to 9.29 in 1993. This is due to Morocco's approval on 01/21/1993 of Article 8 of the Statutes of the International Monetary Fund. Thus, the dirham became a convertible currency in current operations, returning to The decline in 1995 and 1996, respectively, amounted to 8.54 and 8.72. In 1997, the exchange rate returned to an increase of 8.5%, following the establishment of the Moroccan exchange market in May 1996. It remained in this state until 2002, with an average for the period of 10.31, when the highest value was For this period, 11.30, due to the decrease in 2003 by 13.12%, which is due to the issuance of the euro in 2002, which began to replace the currencies of the member states of the Euro Organization on the list of currencies priced by the Bank of Morocco, and this decrease continued until 2014 with an average for the period of 8.5, where The value was lower than the share in 2008 following the mortgage crisis that struck the United States of America, and it recovered slightly in the last three years, due to Morocco's intention to gradually abandon the fixed exchange rate system to a flexible exchange rate system, benefiting from adequate foreign exchange reserves and a low inflation rate. (less than 2%), and the absence of a black market for currency, aiming to improve the competitiveness of the Moroccan economy, keep pace with the country's openness to the global economy, contribute to reducing external imbalances and shocks, and improve the financial sector. (Morocco, 2019)

## **4. Conclusion:**

Despite the major reforms witnessed by the Maghreb countries (Tunisia, Morocco, Algeria), most of them suffer from the dominance of one sector over the rest of the sectors, as we find the hydrocarbons sector is dominant in Algeria with a percentage of 98% of total exports, while Tunisia depends on the services sector with a percentage 60.4% of the GDP, and the same for Morocco at 56.3%, which has always made it suffer from dependency on the outside world.

By tracking the financial and monetary reforms of these countries, we notice that they have achieved varying results, as both Tunisia and Morocco have come a long way compared to Algeria in terms of results, but despite this they were unable to create the conditions for development because of the economic choices they adopted before the reform process, which made them It flounders between a liberal policy that would satisfy financial institutions and foreign companies in order to give priority to Qatari interests, and a social policy that would satisfy its people and create a balance within the social fabric.

The lack of interest of these countries in their internal and energy resources (agriculture, solar energy, phosphate, gas, etc.), as we find, for example, that Algeria possesses enormous agricultural wealth that would make it a major agricultural country in Africa, if not globally, and this is also the case in Morocco and Tunisia. In varying proportions,

which in turn creates economic diversification that avoids dependence on a single sector for these countries and thus avoids economic shocks due to fluctuations in prices for petroleum products as well as exchange rates, which contributed to burdening the balance of payments, which in turn exacerbated the deficit in the general budget of these countries' budgets.

**4.1 Study recommendations:** We can put forward a set of recommendations closely related to the topic, which we summarize as follows:

□ Strengthening efforts to develop the tax systems of the three Maghreb countries under study, through serious reforms that are applicable on a realistic level, ensuring justice and transparency and taking into account the economic dimensions of the country, far from narrow calculations imposed by stakeholders, with the aim of achieving satisfaction on the part of those charged with performing this task. Taxes, which would expand the tax base and thus generate significant fiscal resources.

□ Introducing profound reforms at the level of financial laws that carry within them the state's abandonment of the management of some sectors in favor of the private sector, with the aim of reducing the expenses and costs of running the public facilities and institutions of the countries, which take huge budgets from them that exhaust their public budgets. Legal formulas must also be found for this that can crystallize this approach on a basis. Practical reality.

□ Recycling the existing human capital in these banks and developing their skills and competence in dealing with banking services (risk management, feasibility study, marketing services, etc.).

□ Adding transparency and governance in the management of the banking system and in the ways of communicating with customers in this system, and devoting digitization to the work of this system, to restore confidence in banking work, which countries are almost suffering from, which has deprived banks of significant resources circulating outside the banking framework.

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