

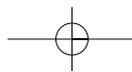
# MOROCCO

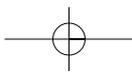
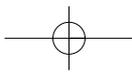
## Morocco

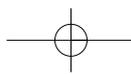


### key figures

- Land area, thousands of km<sup>2</sup> : 446
- Population, thousands (2000): 29 878
- GDP per capita, \$ (2000): 1 120
- Life expectancy (1995-2000): 66.6
- Illiteracy rate (2001): 50.1







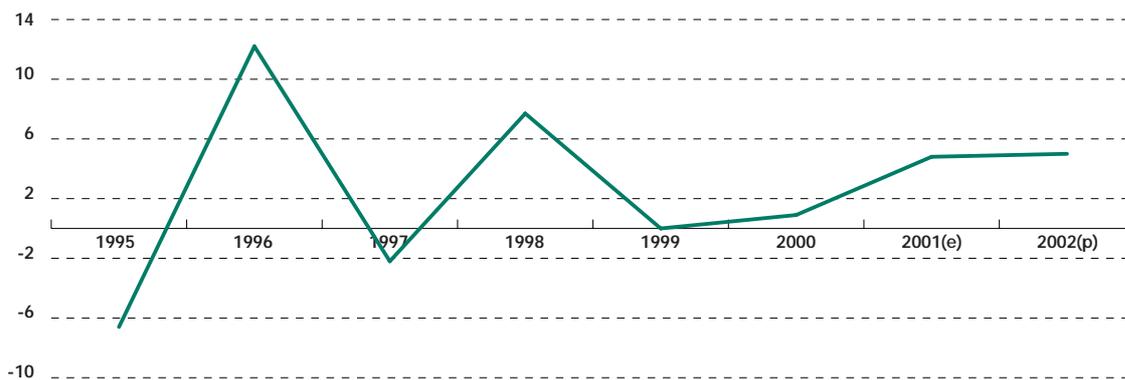
# MOROCCO

MOROCCO'S ECONOMY HAS GROWN quite slowly in recent years, with real GDP rising an average 2.8 per cent a year (1.6 per cent per capita) between 1997 and 2000. It also showed irregular movements due to erratic agricultural performances. The decline of social indicators and widening of inequalities are an obstacle to sustainable growth. Higher investment (funded by money from privatisation) and public sector wages, along with a 5 per cent devaluation of the dirham against the dollar, should boost real GDP by about

4.8 per cent in 2001, though at the cost of some inflationary pressure (2.1 per cent). A continuing policy of reviving public investment and a new devaluation of the dirham (5 per cent) may produce higher real GDP growth in 2002 (5 per cent) with lower inflation (1.6 per cent). But a fairly substantial trade deficit (around 9 per cent of GDP) is likely because of a volume of imports driven by increased demand and a still high real effective exchange rate.

Morocco's economy has grown quite slowly in recent years

Figure 1 - Real GDP Growth



Source: Authors' estimates and predictions based on data from the *Direction des statistiques du Maroc*.

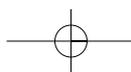
## Recent Economic Developments

The primary sector accounts for 16 per cent of domestic value added and employs 48 per cent of the working population. Agriculture is very much at the mercy of the weather (only 13 per cent of cultivated land is irrigated) and is dominated by small plots using hardly any machinery. Large modern farms mainly produce export crops (fruit and vegetables and citrus) and much of the irrigated land is in their possession.

In 2000, 73 per cent of the fertile agricultural area was given over to cereals and 22 per cent to export

crops. Two consecutive years of drought damaged cereal production. Total agricultural output fell 49 per cent between the 1998/99 and 1999/2000 seasons and persistent drought in 2001 is thought to have wiped out crops equivalent to a fifth of the cultivated land. Citrus production grew by 7 per cent, however, illustrating the country's two kinds of agriculture — one of them irrigated, expanding and geared to foreign markets and the other old-fashioned and aimed at domestic consumption.

Fishing has much potential for growth. The non-renewal of agreements with the European Union (and



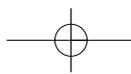


Figure 2 - GDP Per Capita in Morocco and in Africa (\$ current)



Source: Authors' estimates and predictions based on data from the *Direction des statistiques du Maroc*.

Russia) in December 1999 meant Moroccan boats could now fish all the country's territorial waters and the national catch grew in volume by 20 per cent in 2000. Since 1997, the government has been modernising and expanding the fleet and port facilities in the hope of doubling production between 1999 and 2003. The programme could create up to 100 000 jobs.

Mining is dominated by phosphates, of which Morocco is the world's third largest producer and leading exporter. The sector is in the doldrums after a 7 per cent fall in export volume in the three years since the peak year of 1997.

The secondary sector accounts for about 30 per cent of GDP and employs 20 per cent of the workforce. It has grown a modest average of 3 per cent a year since 1997. Manufacturing industries represent two-thirds of the value added of the sector and comprise food processing (36 per cent), chemical and para-chemical industries (32 per cent), textiles and clothing (17 per cent) and mechanical and metallurgical industries (12 per cent).

Food processing has grown strongly in recent years — 15 per cent between 1997 and 2000 and 5 per cent during 2000 — but the sector is dominated by family firms and not very competitive.

The chemical and para-chemical industry is downstream of the mining sector and mainly turns phosphates into fertiliser and phosphoric acid for export. Phosphoric acid and fertiliser alone account for 12 per cent of all exports. The sector's production has grown 10 per cent since 1997 (3 per cent in 2000), showing the state-owned Moroccan Phosphates Authority's determination to boost the sector's domestic value added by increasing output of by-products.

The textile and clothing industry is focused strongly on exports (accounting for 34 per cent of the total) and has to face the very competitive conditions of the world market. The sector has been handicapped by the rise in the real value of the dirham and will have to prepare for the dismantling of the multi-fibre agreements, to be completed in 2005. The sector had to shed 44 000 jobs in 1999 — 23 per cent of its total and 3 per cent of all industrial employment.

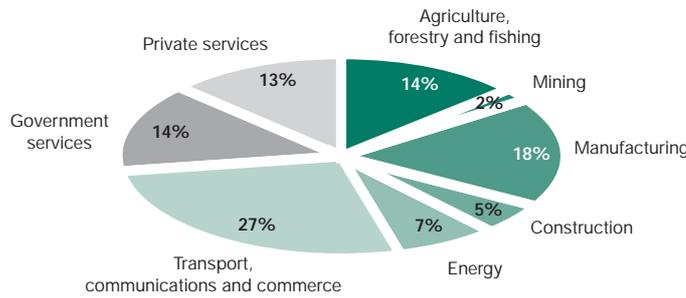
Since 1997, construction has been the most dynamic sector, with an average real growth of 5 per cent (6 per cent in 2000), largely fed by a 1994 government programme, backed by international funding agencies, to build cheap housing to replace slums.

The tertiary sector, which employs 32 per cent of the working population and accounts for 54 per cent of GDP, has grown fastest of all in real terms in the past



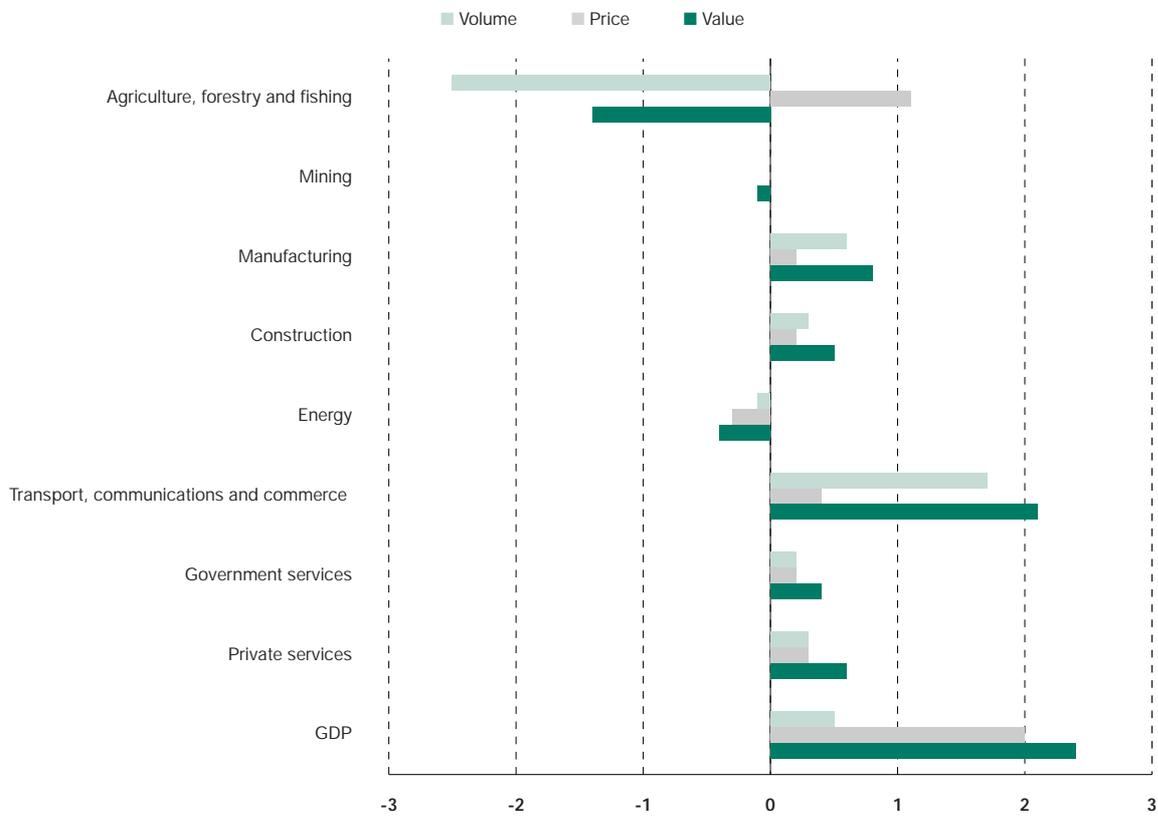


Figure 3 - GDP by Sector in 2000



Source: Authors' estimates and predictions based on data from the *Direction des statistiques du Maroc*.

Figure 4 - Sectoral Contribution to GDP Growth in 2000



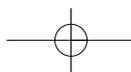
Source: Authors' estimates and predictions based on data from the *Direction des statistiques du Maroc*.

few years, especially (since 1997) transport/communication (+28 per cent) and commerce (+19 per cent).

The communications sector is being thoroughly restructured. The state monopoly, *Maroc Télécom*, was broken in 1999 by sale of a GSM licence. The firm was opened up and *Vivendi* took a 35 per cent share in early

2001. Two more private telecommunications licences (one mobile and one fixed) are expected to be offered by 2003 and another 15 per cent of *Maroc Télécom* should be up for sale.

Tourism, the country's main source of foreign exchange, is expanding rapidly and grew by 13 per



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cent in current dirhams in 2000 (29 per cent since 1998). The sector has room for further growth. The total present capacity is 95 180 beds, while neighbouring Tunisia has about 185 000. The Moroccan government

has been encouraging the sector with tax breaks and privatisation of state-owned hotels. Several investment projects are under way, notably in the Agadir and Marrakesh regions.

**Table 1 - Demand Composition (percentage of GDP)**

	1995	1998	1999	2000	2001 (e)	2002 (p)
<b>Gross capital formation</b>	<b>21.3</b>	<b>22.2</b>	<b>23.4</b>	<b>24.3</b>	<b>23.5</b>	<b>23.6</b>
Public	3.7	2.7	2.9	3.0	3.3	3.3
Private	17.6	19.4	20.5	21.3	20.2	20.4
<b>Consumption</b>	<b>85.2</b>	<b>86.1</b>	<b>85.1</b>	<b>86.8</b>	<b>86.4</b>	<b>85.7</b>
Public	17.3	18.0	19.2	19.4	20.8	20.4
Private	67.9	68.1	66.0	67.4	65.6	65.3
<b>External sector</b>	<b>-6.5</b>	<b>-8.3</b>	<b>-8.6</b>	<b>-11.0</b>	<b>-9.9</b>	<b>-9.3</b>
Exports	27.2	17.7	18.9	20.2	19.7	20.1
Imports	-33.7	-26.0	-27.5	-31.3	-29.6	-29.4

**Source:** Authors' estimates and predictions based on IMF and domestic authorities' data.

Real growth of domestic income, at 5 per cent, has been mostly driven by household consumption. The increase in investment slowed in 2000 (by 3 per cent in real terms) after several years of sustained growth. Real public investment grew 7 per cent in 2000, but its share in GDP is still small. The faster expansion of domestic demand rather than GDP shows a supply shortage and has resulted in increased imports and thus a bigger foreign trade deficit.

cent of the total workforce) that absorbs 40 per cent of total expenditure (12 per cent of GDP). Interest on external debt, although declining, is still high at 17 per cent, while consumer price subsidies for energy and food staples take up 6 per cent. Public investment accounts for only 17 per cent (just under 6 per cent of GDP in 2000) but is rising because of the new Hassan II Fund to which most privatisation proceeds are channelled and which has set improving public infrastructure as a priority.

## Macroeconomic Policy

### *Budgetary and Monetary Policy*

The state budget has been almost balanced in recent years and even showed a surplus in 1999 after the sale of the second GSM licence. But 2000 ended with a deficit equal to nearly 6 per cent of GDP because the government decided to stick to its spending plans despite the delayed privatisation of *Maroc Télécom*, whose proceeds had been earmarked for the 2000 budget. Normally, the country's budget is hampered by the size of current expenditure (75 per cent of the total in 2000), which leaves little money for public investment and structural reform. The main reason is the enormous wage bill for 770 000 civil servants (8 per

The burden of current expenditure is expected to grow in the short term. Devaluation should increase both the public external debt service and price subsidies for imported goods (oil and especially cereals). The system of subsidies was however pared down because they were becoming too onerous for the government after the rise in oil prices in 2000. The 10 per cent increase in the minimum wage in October 2000 and giving a number of civil servants job tenure automatically raises the cost of public-sector wages.

Liberalisation of the banking sector (abolishing credit control in 1991, liberalising interest rates on overdrafts in 1992 and on accounts in credit in 1996) and an expansionist monetary policy (reducing intervention rates of the central bank on the money



Table 2 - Public Finances<sup>a</sup> (percentage of GDP)

	1995	1998	1999	2000	2001 (e)	2002 (p)
<b>Total revenue and grants<sup>b</sup></b>	<b>23.8</b>	<b>24.4</b>	<b>29.3</b>	<b>24.7</b>	<b>28.6</b>	<b>26.0</b>
Taxes	21.5	21.8	23.6	22.6	21.1	21.3
<b>Total expenditure and net lending<sup>b</sup></b>	<b>28.9</b>	<b>28.2</b>	<b>28.5</b>	<b>30.6</b>		
Current expenditure	22.0	22.3	22.3	23.0		
<i>Excluding interest</i>	<i>16.1</i>	<i>17.1</i>	<i>17.2</i>	<i>17.8</i>	<i>19.1</i>	<i>18.6</i>
Wages and salaries	11.1	11.4	11.9	11.8	12.5	12.1
Interest payments	5.9	5.2	5.1	5.2		
Capital expenditure (including Hassan II Fund)	5.5	4.5	5.1	5.6	6.0	6.0
<b>Primary balance</b>	<b>0.8</b>	<b>1.3</b>	<b>6.0</b>	<b>-0.6</b>	<b>1.9</b>	<b>-0.2</b>
<b>Overall balance</b>	<b>-5.1</b>	<b>-3.8</b>	<b>0.9</b>	<b>-5.9</b>		

a. Until 2000, the financial year was from July to June, so calendar-year periods do not correspond with budget periods.

b. Only major items are reported.

Source : Authors' estimates and predictions based on IMF and domestic authorities' data.

market and reducing reserve requirements) has substantially cut interest rates. The central bank's average nominal intervention rate has fallen by 144 basis points since 1997 and reached 5.1 per cent in 2000 (3.2 per cent in real terms). The banks' nominal minimum lending rate dropped by 200 basis points over the same period to the present 7.2 per cent (5.4 per cent in real terms) for loans shorter than two years. Credits to the economy rose from 50 to 60 per cent of GDP between 1997 and 2000 (7 per cent up in 2000). Apart from lower interest rates, the growth of credits to the economy was helped by reduced bank credits to the government (their share of GDP fell by 10 per cent between 1997 and 2000). As a result, growth of the M3/GDP ratio held up in recent years (14 per cent since 1997 and 5 per cent in 2000) but still did not stoke up inflation, which remained modest, at 1.9 per cent in 2000 compared with 0.7 in 1999. The effect on prices of the April 2001 devaluation, minor so far, will determine whether the expansionist monetary policy is maintained. The central bank's aim is to limit annual inflation to 2.5 per cent.

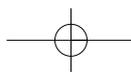
The value of the dirham is pegged to a basket of currencies whose weighting was changed in April 2001, leading to a devaluation of about 5 per cent. This was done in a context of a deteriorating trade balance and lower duties on imports from Europe, as well as persistent pressure from the textile and clothing sector (whose union called for a 10 per cent devaluation). The steadiness of prices and lighter external debt helped too.

The real impact of devaluation on macroeconomic equilibrium cannot yet be judged, but it is evidently not enough to restore the price-competitiveness of Moroccan exports. The real effective exchange rate in 2000 was 22 per cent higher than at the time of the last devaluation in 1990.

### External Position

With the new round of World Trade Organisation talks and the opening up of the Moroccan market through free trade agreements between the European Union and the Mediterranean countries, Morocco is coming up against stiffer competition in domestic and foreign markets. But it may also be able to sell more of its farm products in Europe.

In 2000, the country's trade balance took a drastic plunge (to a 34 per cent deficit in current dirhams, according to official figures) due to a faster growth of imports (15 per cent) than exports (7 per cent), and export coverage of imports fell to 64 per cent. Oil products (12 per cent of all imports) and cereals (6 per cent) were the main sources of import growth. The oil bill should diminish in the long run because of the discovery of unproven reserves of oil and natural gas that could supply the country for between 15 and 30 years. But extraction at the site, known as Sidi Belkacem 1, may not start until 2003. The growth of cereal imports is due to the fall in domestic production



 Morocco

because of drought. Imports of capital goods (21 per cent of all imports) dropped sharply by 9 per cent in 2000, confirming the slowdown of private sector investment.

Exports were driven by the fishing sector, which accounts for 10 per cent of the total. Clothing exports (32 per cent of the total) only grew 2.7 per cent because of the rise in the real value of the dirham and the opening of the European market to other exporting countries. Exports from the phosphate sector

(phosphates, phosphoric acid and fertiliser), which accounted for 17 per cent of the total in 2000, fell slightly in value.

The trade deficit was mostly made up for by invisible items such as tourism and remittances by Moroccans living abroad, which are a substantial source of foreign exchange. The two sectors grew by 13 and 18 per cent respectively in 2000 (in dirhams). Reduction of external debt service meant the current account deficit could be kept to 1.7 per cent of GDP in 2000.

Table 3 - Current Account (percentage of GDP)

	1995	1998	1999	2000	2001 (e)	2002 (p)
Trade balance	-7.5	-6.5	-6.9	-9.0	-8.2	-7.6
Exports of goods	20.7	19.9	21.3	22.5	22.2	22.6
Imports of goods	-28.1	-26.4	-28.2	-31.5	-30.3	-30.2
Services balance	0.8	2.4	3.1	3.3		
Factor income	-4.0	-2.9	-2.8	-2.8		
Current transfers	7.1	6.5	6.1	6.8		
<b>Current account balance</b>	<b>-3.6</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-1.7</b>		

Source: Authors' estimates and predictions based on IMF and domestic authorities' data.

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Apart from privatisations and franchises, foreign direct investment remains small in Morocco and bureaucratic red tape, lack of legal security and political and social uncertainty are cited as the main obstacles to its development. Growth of tourism and the oil sector, as well as continued privatisation of state enterprises, should however increase it in the short to medium term.

The proceeds of privatisation and the equilibrium of the current account have helped boost foreign exchange reserves by 57 per cent (in dollars) between 1995 and 1999 (28 per cent in 1999 because of the sale of a GSM licence). The reserves fell by 15 per cent in 2000 but rose again the following year owing to the part sale of *Maroc Télécom*. They were equal to 5.5 months of imports at the end of 2000 (compared with seven months in 1999).

Owing to several reschedulings of the debt to the Paris and London Clubs since 1983, efforts at adjustment since the early 1980s and implementation

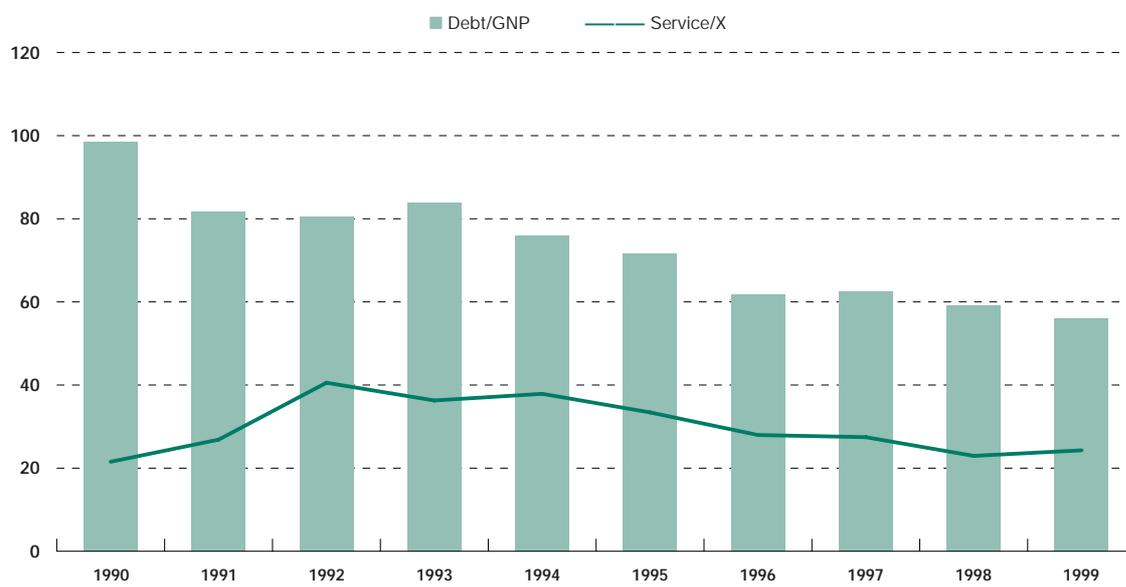
of bilateral debt reconversion procedures, new drawings have been less than repayments, so the country's external debt has been reduced since 1985 and is now at a sustainable level. The ratio of debt to GNP in 1999 was 56 per cent and of debt service to exports 24.3 (compared with 71.6 per cent and 33.4 in 1995). There is no danger of illiquidity because foreign exchange reserves are currently equivalent to about 22 months of external debt service.

Just over a third of Morocco's external debt is to members of the Paris Club and another third to international funding institutions. The share of bilateral creditors is diminishing as debt reconversion proceeds. Since 1996, France, Italy and Spain have done debt equity swaps amounting to slightly more than \$600 million (just over 3 per cent of the official debt stock in 1995). The Moroccan government has been actively managing its debt since 1997 by using the fall in interest rates on capital markets and issuing eurobonds on the international financial market so as to pay off higher-interest loans taken out earlier. In the second





Figure 5 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of goods and services)



Source: World Bank (2001), *Global Development Finance*.

half of 2000, a €500 million eurobond issue was floated by the government.

## Structural Issues

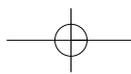
Until March 2000, Morocco enjoyed European Union trade preferences. The new free trade agreement on Barcelona terms (which Morocco signed in 1996) introduces for the first time reciprocal tariff preferences for industrial goods between the EU and the Mediterranean countries. In fact, because the earlier EU preferences were larger, the agreement means Morocco lowering its tariffs for industrial imports from EU countries. Complete liberalisation of the market should be achieved by 2012. Agriculture and fishing are currently excluded from the agreement but will be dealt with in the coming negotiations. Paradoxically, the present trade agreements between Morocco and the EU encourage cereal production while discouraging

citrus and fruit and vegetables where Morocco has a greater comparative advantage<sup>1</sup>.

Liberalisation of industrial trade will not be uniform. Duties and taxes on imported goods Morocco does not produce will be cut more quickly than on goods competing with local products. For the second category — mainly food products, minerals, electrical equipment and vehicles — the market will not begin to be liberalised until 2003 and the tariff reduction will be over ten years, at a rate of 10 per cent a year. Duties on other imports will be reduced 25 per cent at a time and two such cuts have already been made (in March 2000 and March 2001). Machinery imports however were completely liberalised on 1 March 2000. So for the time being, the Moroccan economy's level of protection has in fact risen somewhat.

The close ties between Morocco and the EU (which takes three-quarters of its exports and supplies two-

1. Duties imposed by Morocco on cereals from the EU are set at 144 per cent for the fairly small import quotas involved and are even higher outside the quotas. The expansion of the citrus and fruit and vegetable sector is restricted by seasonal import quotas imposed by the EU. The next round of EU-Morocco negotiations will tackle these points.



thirds of its imports), mean that the tariff agreements should have a considerable effect on the country's economy. But import duties account for 18 per cent of tax revenue, which means reducing them will oblige the government to reform the tax system. Morocco's industrial output could also be seriously damaged by competition from European goods. The government has moved to increase competitiveness and modernise local small and medium-sized firms, but does not seem to be having much success.

The government has launched a programme to rebuild the country's economic structures, involving reform of the labour market, privatisation of state-owned firms and services and encouraging foreign direct investment.

Competitiveness of industrial goods has declined in recent years as wage costs have risen and the real value of the dirham has increased. As a result, the government has begun revising the labour laws to make the job market more flexible. However, social pressures such as high unemployment and poverty led in April 2000 to a collapse of negotiations over a new labour code because of disagreement about conditions of lay-offs. But the lack of competitiveness of the local workforce is not so much about wages as lack of skills, so Moroccan firms will be in better shape on this score when education and vocational training improve.

The leading privatisations have been in telecommunications, with the sale of part of *Maroc Télécom* and deregulation of the sector. The next major opening-up of a state company is set for 2002, when 40 per cent of Royal Air Maroc will go on sale. About 50 firms remain to be sold off. Sixty or so have been divested since the first privatisation law in 1990, earning the government some \$3.9 billion since 1993, including \$2.2 billion from opening up *Maroc Télécom*. The state is gradually withdrawing from electricity and water-supply by offering franchises to the private sector, such as to build a power plant at Tahaddart and supply electricity and water to the Tetuan-Tangier region and water for Casablanca.

Wholesale reconstruction is under way in the banking sector, with the government partly involved

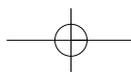
in financial rehabilitation of three state-owned banks to prepare for future privatisation. One of them, *Crédit Immobilier et Hôtelier*, has been hard hit by corruption and embezzlement scandals. The amount of legally dubious deposits with the bank has forced the government and a group of nine small banks to guarantee its operations. The central bank, *Banque Centrale Populaire*, the country's largest, may be privatised in 2002.

Since the mid-1990s, the government has been pushing local and foreign private investment. The effort includes setting up duty-free industrial zones, an investment charter in 1995, a commerce law in 1996 and a business court in 1997. Laws grant many tax exemptions to encourage investors, especially foreigners and formalities have been reduced, with one-stop facilities for new investors. But procedures are still cumbersome: official decrees take a long time to be enacted and laws do not seem to be applied. The free zones are still at the early stages. The principal one will be in Tangier but is being held up by delays in renovating the port there because of a row between the government and the French construction firm Bouygues. Land-owning is also complicated by outdated practices and buying land to build on can take months or even years depending on its legal status. The private sector complains about very unreliable legal guarantees for investments because of corruption, so the weight of bureaucracy and its inefficiency is clearly a major obstacle to the country's development.

## Political and Social Context

The late King Hassan II took a long time to start moving towards democracy and then only did so very carefully, retaining effective power while setting up a multi-party parliamentary system. But in March 1998, for the first time, he appointed an opposition figure (and veteran moderate left-winger), Abderrahmane el-Youssoufi, as Prime Minister. The king's death in July 1999 seemed to speed up democratisation. His eldest son and successor, Mohammed VI, was soon nicknamed "King of the Poor" by Moroccans, who had great hopes of social progress and political freedoms. The new king





allowed political exiles to return, declared in favour of equal rights for men and women and fixed new parliamentary elections for November 2002.

However, since these first symbolic gestures, political liberalisation and social reform seems to have been put on hold. The media is still not allowed to criticise the king, discuss the role of Islam, or comment on human rights violations and the government's policy on Western Sahara. The issue of phosphate-rich Western Sahara, taken over by Morocco when Spanish colonial forces pulled out in 1975, is a thorny political issue and source of constant tension with neighbouring Algeria. A ceasefire was signed in 1991 with the Polisario Front pro-independence movement and Morocco agreed to hold a UN-supervised referendum on the future of the territory. The vote was originally set for 1992, but has been postponed because of disagreement over who can take part.

Other substantial blocks to progress are corruption and administrative rigidity. The presence of the state everywhere in the economy has led to corruption and unfair competition. The slowness of legal reform and delay in revamping the electoral system confirms the impression of an unpredictable legal environment. However, the government's stated determination since 1998 to fight corruption has already produced some results. A conference on morality in public life was held in June 1999, corrupt civil servants were dismissed and reforms were made in the state accounts court, the legal system, the method of bidding for government contracts and in the customs and tax departments. The clean-up of public life was supported by the national business confederation and many NGOs. In 2000, Morocco was 37th (level with Mauritius) on Transparency International's 100-nation index of the perceived degree of corruption in a country. This respectable position, compared with other countries in Africa, is proof of the government's success in tackling the problem.

The decline in the general standard of living could however endanger the country's social and political stability. A general strike, averted at the last minute in early 2001, is still being threatened by the trade unions,

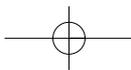
forcing the government to be conciliatory and suspend its programme to reduce the number of government workers. The risk of serious disturbances is greater because hopes raised by the political changes since 1998 have not been fulfilled. Since the early 1990s, poverty in Morocco has deepened and inequalities have widened. Morocco was only 112th on the UN Human Development Index in 2001, behind the rest of North Africa and Egypt though ninth among Africa countries.

The recent slowdown in growth increased the number of poor people (those living below the national poverty line) by half — from 13 per cent in 1997 to 19 per cent in 1999. Inequality is striking. The poorest 10 per cent have only 2.6 per cent of the country's wealth while the richest 10 per cent own 30.9 per cent of it. Three-quarters of the poor live in the countryside, where persistent drought hits their income from farming. Malnutrition among children under five in 1997 was four times greater in rural areas (12 per cent) than in the towns (3.3 per cent), according to the UNDP. These figures are similar to those in Least Developed Countries (LDCs). The area from the east of the country to the edge of the Sahara is a band of poverty with poor basic infrastructure, inadequate education and low incomes.

The level of urban unemployment (22 per cent in 1999) is very high and worse among women (27.6 per cent) than men (20.3 per cent). The highest rates are among people under 34 (30.3 per cent in 2000) and university graduates (29 per cent). Current trends are worrying, with urban job-seekers growing annually by 5 per cent while the number of jobs increases by only 4 per cent. The economy will have to grow between 6 to 8 per cent a year to create the 200 000 extra jobs needed both to absorb the 150 000 people who come onto the urban job market every year and to start reducing unemployment.

Although life expectancy at birth has improved (69 years now compared with 64 in 1993) and average primary school enrolment has doubled since the 1960s, Morocco's performances in health care and education are far behind those of countries with similar income levels. Infant mortality was about 45 per 1 000 in





1999, compared with the average of 35 for the Middle East and North Africa (24 in Tunisia, 36 in Algeria and 41 in Egypt). The health situation in the countryside is especially bad, with only half the population having access to proper medical care.

Morocco's illiteracy rate is one of the highest in the Arab world — 50 per cent among adults (people over 15). The figure is 44 per cent in Egypt, 31 in Algeria and 28 in Tunisia. Rural areas are far behind in school enrolment of children between seven and 13, with 26.9 per cent never having been to school, compared with 3.3 per cent in the towns. The most vulnerable Moroccans are women and girls in the countryside. Only 51 per cent of girls between seven and 12 attend school, compared with 74 per cent of boys (90 per cent are in school in towns). Fewer than 15 per cent of rural women are thought to be literate.

Despite government efforts, public spending on social sectors is still small compared with the rest of North Africa. In 1998, health care spending was 1.2 per cent of GDP in Morocco, against 2.6 in Algeria and 2.2 in Tunisia. For education, the figure was 5.3 per

cent of GDP in 1997 compared with 7.7 in Tunisia. However, since Mohammed VI became king, the fight against poverty has become a government priority, with an emphasis on rural development through investment in basic infrastructure (roads, electricity, irrigation systems and activity generating jobs and income) as well as a serious rural literacy programme.

An informal education programme has been launched to teach children between eight and 16 who have never been to school how to read and write. Rural incomes are expected to improve thanks to a micro-credit and insurance programme backed by the Hassan II Fund, which is funded by the proceeds of privatisation and co-ordinated by the Social Development Agency. Meanwhile the government seems determined to transfer some decision making to decentralised authorities — the 1 547 towns legally recognised as important agents of local development, the 44 rural provinces and 24 urban prefectures that supervise local government and the 16 regions that oversee in turn the development of the provinces and prefectures. But so far very little power has been handed over to local elected officials.

