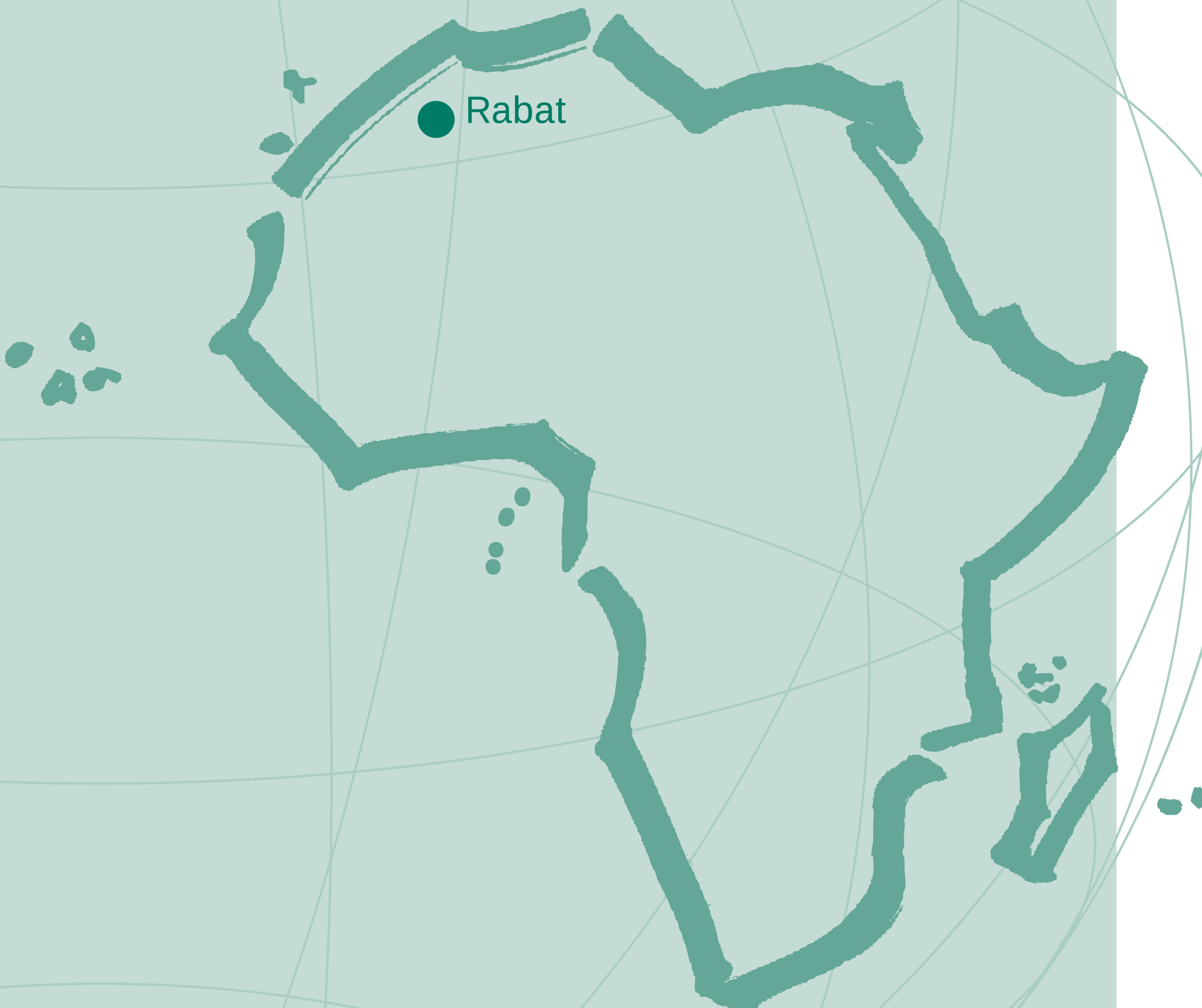
Morocco



key figures

• Land area, thousands of km^2	447
• Population, thousands (2001)	30 430
• GDP per capita, $ (2001)	1 128
• Espérance de vie (1995-2000) :	66.6
• Illiteracy rate (2001)	50.1

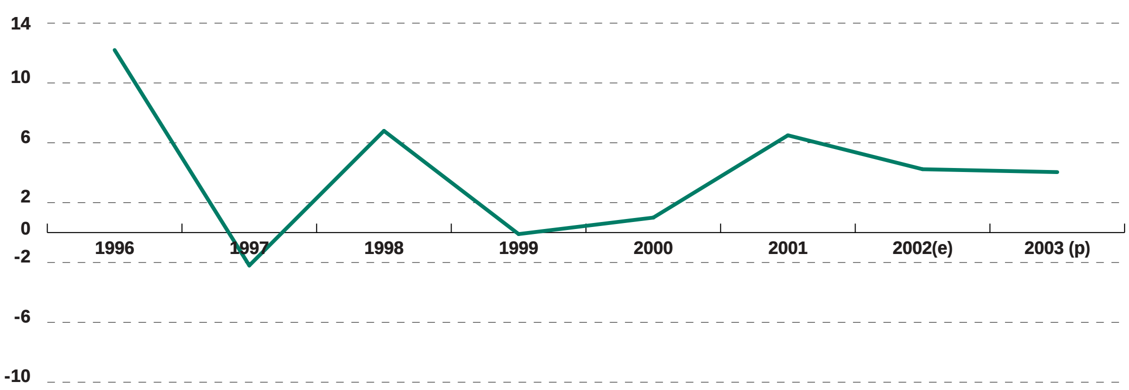
Morocco

THE IMPORTANCE OF WEATHER-DEPENDENT non-irrigated agriculture in Morocco's economy has made growth historically uneven. In 2001, the country recorded satisfactory results in both growth and the consolidation of macroeconomic stability. GDP increased by 6.5 per cent (compared with 1 per cent in 2000) fuelled by a 27.3 per cent surge in agriculture. GDP growth should be 4.2 per cent in 2002 and about 4 per cent in 2003. Inflation is expected to remain under control at 2.5 per cent in 2002 (driven by higher food prices) and to rise slightly, to 3 per cent, in 2003. To sustain growth, the government will have to press on with its reform programme and to bring industry up to standard in preparation for the 2012 implementation of the free trade agreement with the European Union.

To sustain growth, Morocco will have to continue its reform programme and to bring industry up to standard

Social indicators deteriorated in Morocco throughout the 1990s, leading the government to introduce anti-poverty measures in recent years. Most notably these include a new rural development strategy and an education initiative targeting universal primary education. Attempts are also being made to democratise political life, improve governance and fight corruption.

Figure 1 - Real GDP Growth



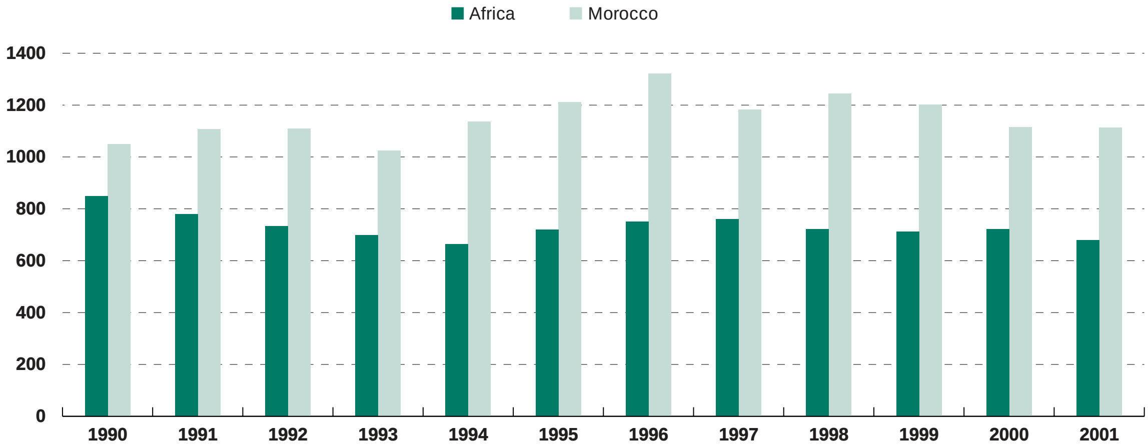
Source: Authors' estimates and predictions based on National Statistics Office data.

Recent Economic Developments

Agriculture contributed 3.2 percentage points to the 6.5 per cent GDP growth in 2001, compared with –2 points the previous year. Good weather in some parts of the country underpinned the 27.3 per cent jump in agricultural GDP (against a drop of 14.7 per cent the previous year).

The farming sector includes both traditional agriculture (characterised by little mechanisation, strong dependence on weather and small-scale holdings) and large-scale modern operations producing vegetables and citrus fruit for the export market. At the start of the 2000/01 growing season, the government announced a number of incentives designed to stimulate production and to guarantee income levels, including subsidising fertilisers and offering debt relief. In June 2001, as part of the third phase of the anti-drought programme begun in April 2000, it pledged 1 577 million dirhams for drinking water supplies, renewing the conservation programme and protecting forest resources.

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



Source: Authors' estimates based on IMF data.

In 2001, agriculture was hit for the third year running by a drought that affected part of the country. That said, the growing season remained better than that of the previous year, supported by regions spared the effects of the drought, either naturally or via irrigation. After a worrying dry start to the 2001/02 season, the weather improved with abundant rainfall in March and April 2002. Harvest prospects for the year are therefore good.

Cereal production in 2000/01 was significantly better than the previous year (45.2 million quintals versus 19.4 million) but it remains 14 per cent below the five-year average. Seasonal fruit and vegetable production expanded by 6.4 per cent in response to a 3 per cent expansion of cultivated area, and despite a 4.5 per cent drop in the production of early harvest produce.

The livestock sector performed to expectations, helped by a government supply of cheap feed (to replace drought-affected forage) and by continuing health measures (banning cattle imports to protect against "mad cow" disease). The number of cattle increased slightly in 2001 to 22.3 million.

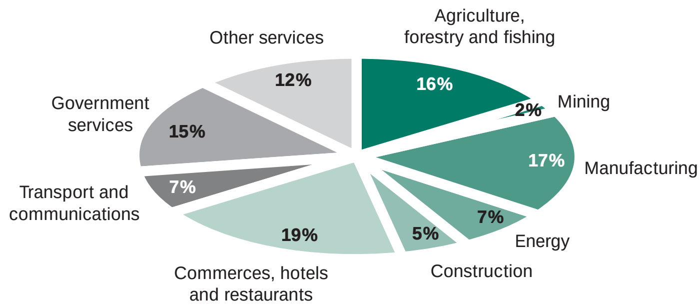
Fishing showed a 22.5 per cent improvement in 2001 over the previous year, with a 28 per cent rise in inshore catches and a 8.2 per cent drop in deep-sea yields. The failure to renew agreements with the European Union and Russia in December 1999 left Moroccan waters entirely to local fishermen. The government continued a development plan launched in 1997 and introduced an octopus preservation programme in May 2001, extending the biological rest period from four to six months, setting minimum export prices and limiting catches until the end of 2003. Seafood exports rose 11.2 per cent in 2001.

Non-agricultural GDP increased by 3.7 per cent in real terms in 2001 (slightly up from 3.4 per cent the previous year) with steady performances in construction, mining and energy and, to a lesser extent, industry and services. Non-agricultural activity contributed 3.3 percentage points to GDP growth (versus 3 points in 2000). The secondary sector (employing 19.7 per cent of the working population) contributed 1.6 points (0.8 per cent of GDP in 2000).

The construction industry's contribution to growth was steady at around 0.3 percentage points in 2000 and 2001. The sector grew by 5 per cent per annum on average between 1997 and 2000, spurred by the government's campaign against insalubrious housing. The attendant increase in house construction created 43 000 jobs net in 2001 and the sector's value added contribution to GDP was 5.8 per cent in 2001, down from 7.1 per cent the previous year.

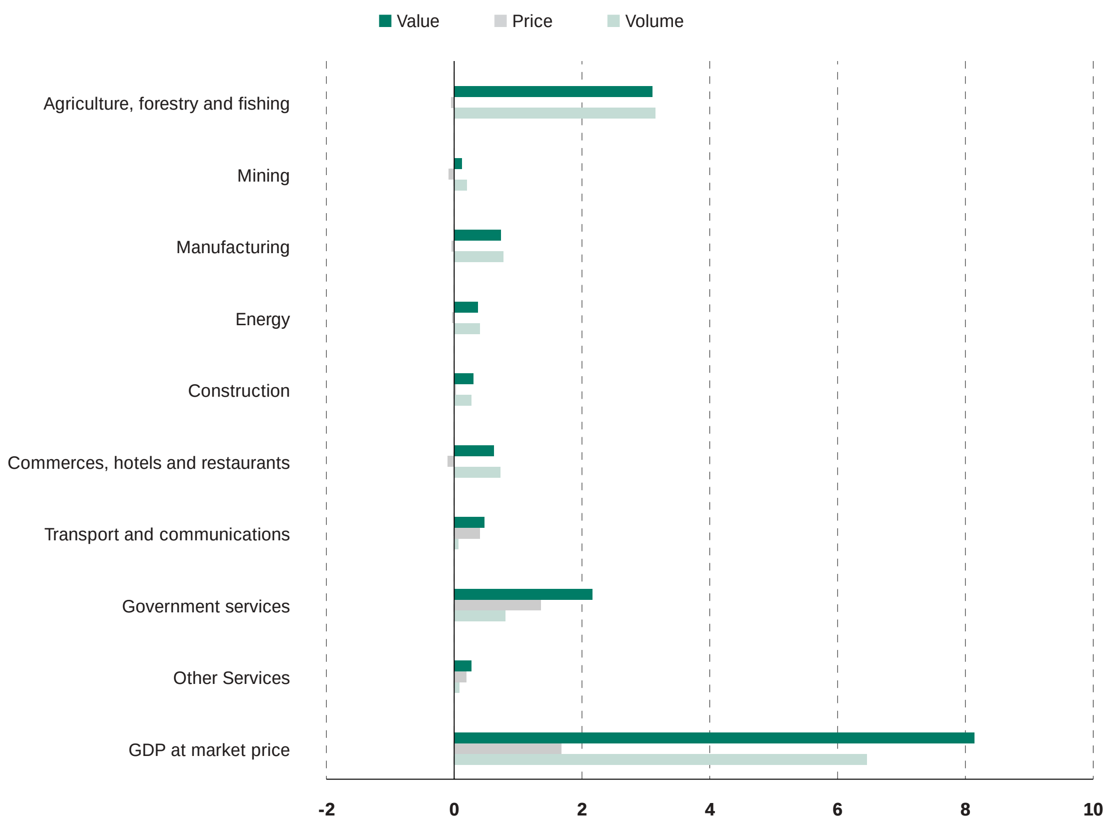
Mining usually accounts for nearly a fifth of total exports. The national phosphates company, OCP is

Figure 3 - GDP by Sector in 2001



Source: Authors' estimates based on National Statistics Office data.

Figure 4 - Sectoral Contribution to GDP Growth in 2001



Source: Authors' estimates based on National Statistics Office data.

planning to double production capacity to maintain the country's position as the third largest exporter of phosphates and phosphate by-products in the world. It will build a new 120 000-tonne plant at Jorf Lasfar also taking 74 per cent control of a large Indian fertiliser firm with a million-tonne annual production capacity.

The sector's contribution to GDP growth was 0.2 percentage points in 2001 (–0.2 points in 2000). The mining production index rose 2.4 per cent after falling 3.4 per cent in 2000. Growth was mainly due to increased phosphate output (raw phosphates were up by 2.5 per cent, phosphoric acid was up 3.2 per cent and fertiliser was up 11.4 per cent).

The growth in value added of the energy sector was 8.1 per cent in 2001 (after a decline of 0.5 per cent in 2000). Its contribution to GDP growth was 0.4 percentage points (zero in 2000). With improved economic activity and increased electrical coverage (which reached 50 per cent, with the connection of 1 760 villages during the year), consumption of electricity rose 5.1 per cent. Local generation only met 3 per cent of domestic demand, so energy imports rose from 11.1 million tonnes (oil equivalent) in 2000 to 12.1 million in 2001. A concurrent drop in oil prices prevented energy costs from increasing by more than 1 per cent. In the second half of the 1990s, Morocco began diversifying its energy sources by building dams, reconverting certain power stations to coal and by searching for and producing oil. A number of oil exploration contracts were signed with foreign companies in 2001, mostly for offshore blocks and in the south of the country. The government also encouraged public-private partnerships, especially in electricity distribution, and privatised the two main oil refinery companies, SAMIR and SCP.

Manufacturing's value-added contribution grew by 4.2 per cent in 2001 compared to 3.5 per cent in 2000, though this figure masks varied results. Metal, mechanical, electrical and electronic industries grew 6.4 per cent (3.5 per cent in 2000) and chemicals and parachemicals by 5.9 per cent (3.4 per cent in 2000), but food-processing dropped from 5.2 per cent (2000) to 4.5 per cent. Likewise, production in the textile and leather industry slowed by –2.7 per cent after growing by 0.7 per cent in 2000.

Manufacturing's contribution to GDP growth rose from 0.6 percentage points (2000) to 0.8 points in 2001. Government efforts to create more attractive conditions for new industrial investors included the opening of an industrial park in Al Hoceima province in October 2001.

The contribution of the service sector (36.7 per cent of the working population) to GDP fell from 1.3 percentage points in 2000, to 0.8 points. This is chiefly due to a slower increase in its value added, from 4.3 per cent in 2000, to 2.6 per cent in 2001.

Commerce contributed 0.7 percentage points to growth (0.5 points in 2000) and generated 37 000 jobs. The sector's added value was up, at 5.2 per cent (from 4.1 per cent in 2000), thanks to the sound performance of the agricultural sector.

Services made a small, 0.1 percentage point contribution to growth (after 0.2 points in 2000) and value added slowed to 0.7 per cent (1.4 in 2000). Despite the negative effects of the 11 September attacks, tourism held up relatively well with revenues of 28.8 billion dirhams (33.1 per cent more than in 2000). Acknowledging the sector's great potential, the government has taken a number of steps to reinforce the tourist infrastructure, boosting hotel capacity and opening new seaside resorts.

The value added of transport and communications only rose 1 per cent, down from 9.4 per cent in 2000.

Table 1 - Demand Composition (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003 (p)
Gross capital formation [a]	**20.7**	**22.5**	**23.2**	**23.4**	**24.1**	**25.0**
Public	3.7	2.9	3.0	2.9	2.9	2.8
Private	17.0	19.6	20.1	20.5	21.3	22.2
Consumption [a]	**85.8**	**81.2**	**82.9**	**79.8**	**79.0**	**78.1**
Public	17.4	19.1	19.1	19.5	19.2	18.9
Private	68.4	62.1	63.8	60.3	59.9	59.2
External sector	**-6.5**	**-3.8**	**-6.1**	**-3.2**	**-3.2**	**-3.1**
Exports	27.4	30.1	31.3	32.8	33.4	34.2
Imports	-34.0	-33.9	-37.4	-36.0	-36.5	-37.3

a. Only major items are reported.
Source: Authors' estimates and predictions based on IMF and domestic authorities' data.

Economic growth in 2001 was primarily driven by public consumption, which grew 10.2 per cent (2.3 per cent in 2000) with the civil service pay rises and the government's expansionary fiscal policy.

Macroeconomic Policy

Fiscal and Monetary Policy

The budget deficit shrank significantly in 2001 to 2.7 per cent of GDP (from 5.9 per cent in 2000) and it continued to fall in 2002, when it is expected to reach 2 per cent. The opening of *Maroc Télécom* to private capital in February 2001 greatly improved public finances, enabling the government to cope with civil service pay increases, while boosting the economy by lowering taxes, embarking on a major capital spending programme and continuing its social policies. The anti-drought programme was sustained and efforts to reach universal education, increase electrification and drinking water supply and eradicate insalubrious housing were all increased.

The government also continued to reduce external debt, clearing its payment arrears. Due to a reduction in the central bank debt (*Bank Al Maghrib*), Treasury debt fell by 8.8 per cent. The Hassan II Fund to promote economic and social development received 10 million dirhams raised by privatisation.

The monetary context in 2001 was strong with inflation under control and plenty of banking liquidity. Money supply rose sharply by 14.1 per cent (8.4 per cent in 2000) with an 86.4 per cent rise in net foreign currency reserves as a result of privatisation, and a 4.3 per cent increase in credits to the economy.

Despite this strong increase in money supply, inflation measured by changes in the cost of living index, was only 0.6 per cent (1.9 per cent in 2000). The government's cautious monetary policy and a 1 per cent drop in food prices (following a 1.5 per cent increase in 2000) explain this modest increase. As food prices rose by 5.2 per cent on the year to July 2002, inflation is expected to reach 2.5 per cent in 2002.

The healthy monetary situation enabled *Bank Al Maghrib* to reduce its intervention rates twice in 2001. Five-day rates were cut from 6.5 per cent to 5.25 per cent and seven-day call rates from 5 per cent to 4.25 per cent. The average interbank rate was 4.44 per cent. Interest rates continued to fall in 2002 but may rise again if the government borrows domestically to make up for shortfalls in budgeted privatisation revenue in 2002.

In April 2001, the authorities reshuffled the basket of currencies against which the dirham is indexed, causing a 5 per cent devaluation against the dollar. In so doing, the government yielded to pressure from exporters facing tough competition from a 9 per cent appreciation of the dirham against the euro since 1999. In the first half of 2002, the dirham rose 5 per cent in nominal value against the dollar and fell 1.5 per cent

Table 2 - Public Finances (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003 (p)
Total revenue and grants [a]	**23.9**	**29.4**	**26.2**	**31.0**	**30.6**	**30.3**
Taxes	21.6	23.7	22.7	21.9	21.5	21.3
Total expenditure and net lending [a]	**29.1**	**28.5**	**32.1**	**33.7**	**32.6**	**31.7**
Current expenditure	22.1	22.3	24.2	24.2	23.4	22.8
Excluding interest	*16.2*	*17.3*	*18.9*	*19.3*	*18.9*	*18.6*
Wages and salaries	11.2	11.9	12.0	12.5	12.2	11.9
Interest payments	6.0	5.1	5.3	4.9	4.5	4.1
Capital expenditure	5.6	5.1	5.4	5.6	5.4	5.4
Primary balance	**0.8**	**6.0**	**-0.6**	**2.2**	**2.4**	**2.7**
Overall balance	**-5.2**	**0.9**	**-5.9**	**-2.7**	**-2.0**	**-1.4**

a. Only major items are reported.
Source : Authors' estimates and predictions based on IMF and domestic authorities' data.

against the euro. The dirham's stability and improved export performances in 2002 should allow the authorities to maintain the exchange rate in 2003. However, tariff cuts on imports competing with local goods may push the government to devalue once more in order to protect local manufacturers.

External Position

The trade balance improved from 2000 to 2001, with the deficit shrinking from 9.7 per cent to 8.8 per cent of GDP. It is expected to stabilise at 8.7 per cent in 2002 and 2003.

Imports fell dramatically by 1.3 per cent in 2001 after soaring 15.7 per cent the previous year. This overall figure is largely explained by a 9.9 per cent drop in capital goods imports and a 5.1 per cent drop in imports of raw materials (mineral origin). In contrast, other imports increased, specifically, semi-processed goods (8.3 per cent), food (8 per cent) and consumer goods (3.8 per cent). The energy bill was wholly maintained at nearly the same level as the previous year.

Exports grew by 2 per cent, down from 7.1 per cent the previous year. Sales of finished consumer goods (39 per cent of total exports) increased by 5.5 per cent. Exports of phosphates and by-products (17.5 per cent of the total) rose 7.5 per cent. On the other hand, sales of capital goods and food products both fell, by 7.3 per cent and 3.4 per cent respectively.

Morocco's trade remains focused on European Union countries, which took 77.1 per cent of its exports and supplied 56.2 per cent of its imports in 2001. France is its major EU partner, buying 31.9 per cent of exports and providing 21.5 per cent of imports, followed by Spain (14.7 per cent of exports, 9.4 per cent of imports). Asia is the next biggest regional trading partner taking 11.6 per cent of exports and providing 16.3 per cent of imports. Trade with Arab Maghreb Union neighbour states is small, at only 2.8 per cent of Morocco's exports and 2 per cent of imports.

The current account experienced a 4.9 per cent surplus in 2001 after a deficit of 1.4 per cent the previous year. This improvement was mostly due to a 33.1 per cent increase in transport revenues and a 60.6 per cent increase in remittances from Moroccans living abroad (which registered 20.8 per cent growth in 2000).

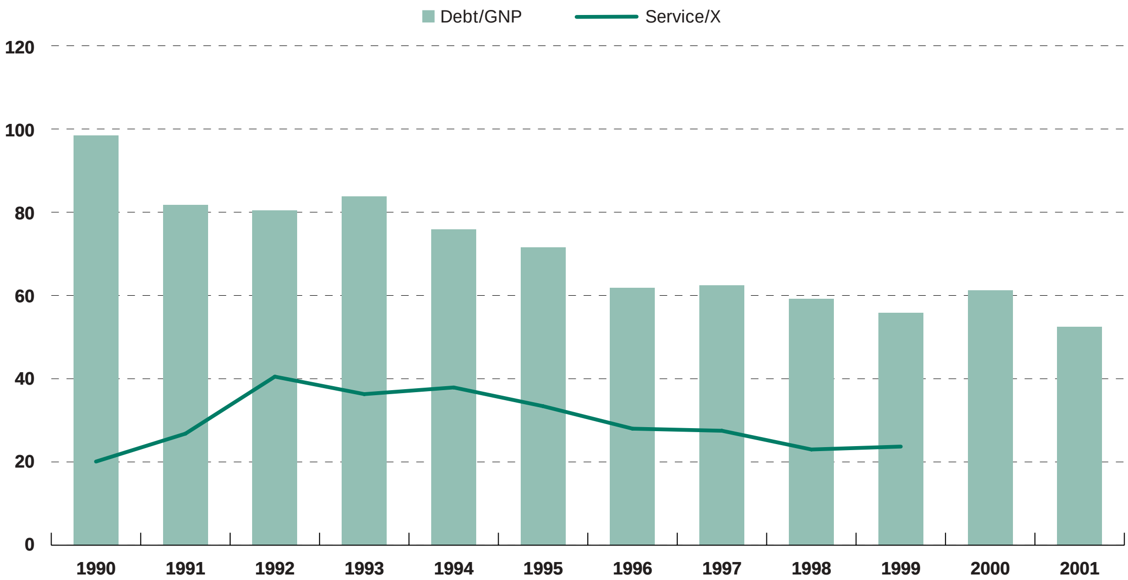
Tourist revenue rose in 2001 despite the effects of the 11 September attacks, which reduced visitor arrivals in the last four months of the year. Despite this contraction, tourist numbers increased by 3 per cent in 2001, to 4.4 million visitors. The amount tourists spent per person was also up 21 per cent, to $575 per head. A 10.4 per cent rise in Moroccan nationals visiting from abroad (1.97 million compared with 1.79 million in 2000) sustained tourism revenues in the face of a 2 percentage decline in foreign visitor numbers (2.46 million versus 2.51 million in 2000). The effects of the 11 September attacks were more deleterious in 2002, with tourism revenues down by 24 per cent in the first seven months. The international situation and risk of war in Iraq could pull them down further.

Table 3 - Current Account (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003 (p)
Trade balance	-7.5	-6.9	-9.7	-8.8	-8.7	-8.7
Exports of goods	20.8	21.3	22.3	21.0	21.6	22.3
Imports of goods	-28.4	-28.2	-32.0	-29.8	-30.3	-31.0
Services balance	0.9	3.2	3.5	5.6		
Factor income	-4.0	-2.8	-2.6	-2.5		
Current transfers	7.1	6.1	7.5	10.5		
Current account balance	**-3.6**	**-0.5**	**-1.4**	**4.9**		

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

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



Source: World Bank.

Irrespective of the international outlook, the government is continuing its policy of developing and promoting tourism's strong potential. Resulting from the national tourism conference in Marrakesh at the beginning of the year, an agreement was signed in October 2001 to implement a broad tourism development programme. This provides 30 billion dirhams for the sector and aims at boosting foreign tourist numbers to 10 million in 2010 (from 2.5 million in 2001) by more than doubling the number of hotel beds, from 97 000 to 230 000. The government also plans to stimulate the sector by improving training for tourist workers, reducing taxes, subsidising the purchase of land for tourism and opening new tourist offices abroad.

The liberalisation of *Maroc Télécom* in 2001 pushed investment and foreign private-sector loans to a record 33.1 billion dirhams for that year. Subtracting exceptional occurrences, including income deriving from the 1999 sale of a GSM operating licence to a consortium led by Spain's *Telefonica*, and the sale of 35 per cent of *Maroc Télécom*, total foreign investments and private-sector loans in 2001 were 9.7 billion dirhams (6.9 billion in 2000). Foreign direct investment will probably fall in 2002, especially if the further 16 per cent sale of *Maroc Télécom* does not take place by the end of the year.

The 35 per cent sale of *Maroc Télécom* and the current surplus caused foreign exchange reserves to rise sharply in 2001, to the equivalent of nine months of goods and services imports (from six in 2000).

The government continued paying off its external debt in 2001 (a process begun in 1993) and repayments increased by 9.6 per cent to total 13.2 billion dirhams for the year, including 1.2 billion in debts converted into private investment. Public external debt was 115.5 billion dirhams (118.7 billion in 2000) and its share in the total public debt fell from 41 per cent (2000) to 38 per cent. This trend should continue in 2002 but is offset by an increase in domestic borrowing. Domestic debt reached 176 billion dirhams in 2001 (46 per cent of GDP) and should rise in 2002, triggering higher interest rates if privatisations scheduled in the 2002 budget have not taken place.

Structural Issues

The government is continuing structural reforms as spelled out in the 2000 to 2004 economic and social development plan. Several measures aimed at achieving 5 per cent growth per annum have been taken, including fighting poverty, increasing access to basic social services and consolidating macroeconomic and financial stability.

Morocco is also steadily abolishing tariffs under its three-stage free-trade association agreement with the European Union (EU), which will completely liberalise the market for industrial goods by 2012. Under the aegis of this, capital goods imports were liberalised on 1 March 2000 and duties on imports Morocco does not also produce will be eliminated by 2003 (after 25 per cent cuts in March 2000 and March 2001). The abolition of duties on items that compete with local production will not start until 2003 from which date 10 per cent reductions will be implemented annually. Liberalisation of agricultural and fishing imports has yet to be negotiated.

In order to prepare Moroccan firms for competition with European products, the government is continuing its modernisation programme. In 2002, the EU earmarked 122 million euros in aid, for the multiple purposes of: implementing the association agreement, supporting Moroccan firms, providing training in the tourism, textile and new technology sectors, creating jobs for rural women and encouraging sustainable management of the argania tree[1].

Morocco also has free-trade agreements with Tunisia, Egypt and Jordan, and it began negotiations for one with the United States in 2002.

A privatisation programme was launched in 1993 after steps in the 1980s to open up the economy. By the end of June 2001, 65 firms (including 28 hotels) had been privatised, earning the government 39.4 billion dirhams. The first 56 privatisations (prior to 1999) brought in 15.8 billion dirhams. The sale in 2001 of 35 per cent of *Maroc Télécom* to Vivendi Universal brought in 23.3 billion dirhams alone, comprising 59 per cent of all privatisation revenues between 1993 and June 2001. The sale of a second GSM licence in August 1999 to a consortium led by Spain's *Telefonica* also earned the government 10.8 billion dirhams. Privatisation has touched a range of sectors including telecommunications (*Maroc Télécom*), fertiliser distribution (Fertima), insurance (CNIA) and oil refining (SAMIR and SCP).

Between 1998 and 2000, the privatisation programme was put on hold while modifications to the list of candidates and the timetable were made. From the outset, 75 firms and 37 hotels had been named in the privatisation law (known as Law 39-89). This was subsequently amended to extend the completion deadline by three years, to 31 December 1998. Thereafter, a law passed in May 1999 (Law 34-98) abolished the deadline and reduced the number of target firms.

The draft 2002 budget anticipated privatisation revenue of 12.5 billion dirhams from the sale of, the state tobacco firm, the *Banque Centrale Populaire*, the state vehicle manufacturer (Somaca), and a 16 per cent share of *Maroc Télécom*. Talks between the government and interested investors are ongoing though none were completed in 2002. Sales may be finalised in 2003, but the loss of expected earnings in 2002 will oblige the government to increase domestic borrowing.

In addition to these planned privatisations, the government intends to dispose of firms in a variety of sectors including: textiles (Setafil and Cotef), sugar (Sunabel and Surac), printing (Sonir), and tourism (the Asmaa, Ibn Toumert hotels and the national zoo in Rabat). Other firms not specifically named will also be privatised with surveys being conducted in several

1. This tree (Argania spinosa) is native to Morocco. It is very resistant to drought and heat and is abundant in the arid and semi-arid regions of the southwest, where it plays an important role in the local economy. Its wood provides fuel, its leaves and fruit are used as forage, and the oil extracted from its fruit kernels is used as a food additive and in traditional medicine. The argania tree provides an income to nearly 3 million people.

sectors. Concession agreements have been signed for electricity production, water and electricity distribution, waste water purification, drinking water supply and highway management.

The Casablanca stock exchange remained sluggish in 2001 despite tax incentives offered in that year's budget. The main share index (IGB) fell 7.4 per cent, after a 15.3 per cent decline in 2000, with 31 per cent fewer transactions (60 per cent fewer in 2000). In January 2002, two new indexes were launched, the Moroccan All Share Index (MASI) of 55 quoted companies and the Moroccan Most Active Share Index (MADEX). Activity in both in 2002 failed to recover. Between January 2002 and the end of September, MASI and MADEX fell by 15 per cent and 24 per cent respectively. Trading volume fell 33 per cent in the first half of 2002 year-on-year. The poor results of listed companies, lack of investor interest in emerging markets and the firms' dependence on traditional bank funding all contributed to the market's weak performance. The privatisation programme might have revived the situation had it stipulated floating some of the companies' capital on the stock exchange.

In recent years, the government has responded to strong public demand by placing great priority on cleaning up public life and on fighting corruption. A coalition of civil society groups presented the prime minister with a memorandum to this effect in December 1998. A conference organised by the General Affairs Ministry and in association with the World Bank was held in September 1999. Entitled, *Fighting corruption: For a modern approach, the international experience and the importance for Morocco*, it led to the establishing of a national commission composed of business, civil society and government representatives. In April 2001, this commission launched a campaign to raise basic standards in public life, organising a series of events to promote public awareness about existing laws.

The commission has also compiled a list of government reforms pertaining to business structure and regulation which it will publicise. Among the items noted are customs reform, implementation of the investors' charter, establishment of commercial courts and regional auditing authorities, and new pricing and competition legislation.

In addition, the government has made efforts to boost transparency in public services by simplifying procedures, obliging government bodies to give account of their decisions, establishing an ombudsman's office, *Al Wassit* (the mediator) and abolishing the privileges of top government officials.

The political determination to clean up public life is genuine and progress has been made, however there remains a great deal to be done. The first national conference on administrative reform in May 2002, entitled *The Moroccan public sector and the challenges of 2010*, stressed the degree of corruption and disorganisation that still plagues public bodies.

Political and Social Context[2]

Morocco has been in a period of political transition since 1998 when the government, lead by the longtime left-wing opposition leader Abderrahmane Youssoufi, alternated for the first time. Begun by the late King Hassan II, the movement towards democracy has accelerated since the accession of King Mohammed VI in 1999. Though the government declared development, social progress and strengthening the rule of law its chief priorities, power still lies with the *Makhzen* (rule of the sultan) and freedom of expression does not extend to discussion of the king, Islam or the Western Sahara question.

The first parliamentary elections under the new king, held on 27 September 2002, were free and fair. No clear majority was produced. The Socialist Union of Popular Forces (USFP) won the most seats (50) in the 325-seat House of Representatives, followed by the nationalist Istiqlal Party (48) and the Islamic

2. Statistics in this section come from the UNDP 2002 Human Development Index and from *Tableau de bord social* (Social Indicators), put out in 2002 by the general economic policy directorate of the Ministry of Economy, Finance, Privatisation and Tourism.

Fundamentalist Justice and Development Party, which tripled its number of seats to 42. Thirty-five women were elected, compared with only two in the 1997 elections.

The king named Driss Jettou, a non-partisan figure and head of the national phosphates company OCP, (the country's largest public corporation) as his prime minister. In choosing one of Hassan II's former cabinet ministers, the king by-passed the USFP secretary general and previous prime minister, Youssoufi. Jettou was asked to form a coalition, which would have a little more room to manoeuvre than the previous government thereby pushing economic reform and reducing inequality.

Morocco fell behind in human development in the 1960s, when investment failed to keep pace with rapid population growth. Though progress has been made since then and social indicators have improved, the social situation deteriorated again in the 1990s. The country fell from 117th place on the World Human Development Index in 1995 to 123rd place in 2002.

Since the 1950s, strong population growth (2.5 per cent in 1955 and 1.9 per cent in 1994) has increased the working population (aged over 15), which grew 3 per cent per annum between 1982 and 1994 and 3.6 per cent between 1995 and 2001. The working population reached 50.4 per cent in first quarter 2002 (47.3 per cent in 1982), boosting the number of unemployed to 12.5 per cent in 2001 (it fell slightly to 12.2 per cent in first quarter 2002). Urban unemployment rose significantly from 16.9 per cent in 1997 to 19.5 per cent in 2001. It should be noted that more women were jobless (24.7 per cent) than men (18 per cent). Urban unemployment hit the 15 to 24 age group hardest (they accounted for 36.4 per cent of it in first quarter 2002), followed by the 25 to 34 bracket (26.1 per cent) and those between 35 and 44 (9.6 per cent).

The jobless rate for educated people (26.8 per cent) was higher in 2001 than for those without educational qualifications (11.8 per cent), but this dropped to 25 per cent in first quarter 2002. Unemployment among the urban uneducated fell from 15.2 per cent in 1999 to 11.1 in first quarter 2002.

Per capita income at constant prices grew only 0.9 per cent a year between 1991 and 2001 (versus 2.5 per cent annually between 1984 and 1990). Poverty increased from 13.1 per cent of the population in 1991, to 19 per cent in 1998, affecting more than 5 million people. Rural areas are worse affected with persistent drought, greater unemployment and fewer job opportunities contributing to increased poverty rates (from 18 per cent in 1991 to 27.2 per cent in 1998).

Rural development figures highly in the government's reform agenda. From the early 1990s, anti-poverty programmes touching infrastructure, education, health care and employment have been carried out in poorer areas. They have included a Social Priorities Programme to improve access to basic education (especially for girls), health care and jobs, a rural drinking water project (PAGER), and programmes to build roads and extend electrification in the countryside. An EU-funded investment programme was launched by the Northern Provinces Development Agency and in June 1999, a national anti-poverty social development fund was approved by Parliament.

Other reforms include setting up a Social Development Agency to support programmes to help the poor, launching social programmes backed by the Hassan II Fund and a proposal for compulsory health insurance, which was presented to parliament in May 2002 but has not yet been approved.

The health-care situation has sharply improved, with infant mortality dropping from 119 per 1,000 births in 1970 to 41 in 2000. Life expectancy rose from 59 years in 1980 to 67.7 in 2000. Vaccination of babies between 12 and 23 months against six major diseases (tuberculosis, diphtheria, tetanus, whooping cough, polio and measles) reached 90.5 per cent in 1998, while 40 per cent of births between 1995 and 2000 were attended. The number of doctors per 1 000 people was 46 between 1990 and 1999 (compared with 70 in Tunisia and 85 in Algeria). The government spent 1.2 per cent of GDP on health care in 1998 (the latest figure available).

Illiteracy among adults (aged 15 and over) was high, at 51.1 per cent in 2000. In 1998, among the population aged 10 and over, more females were illiterate (61.9 per cent) than males (45.5 per cent) and the rate was higher in the countryside (66.9 per cent) than in the towns (33.7 per cent).

The government launched a broad new anti-poverty rural development plan in 1998. In addressing the rural economy as a whole, its goal is to meet the needs of the population in terms of both investment and basic services and to provide income by creating jobs and encouraging small-scale fishing and farming.

An education plan came into force for the 2000/01 academic year with a goal of universal primary education by the start of the 2002/03 year and universal nursery education by the year after that. This includes both institutional and teaching reforms, including lowering the compulsory schooling age to 6, compulsory registration of children at 4, developing non-formal education, encouraging the private sector, revising curricula and expanding the exam structure. A national programme to boost enrolment in rural areas was also started and in September 2000 a national adult literacy programme was launched with the opening of mosques for classes. The government aims to reduce illiteracy to 20 per cent by 2010 and to eradicate it by 2015.