**key figures**
- Land area, thousands of km² 447
- Population, thousands (2005) 31,478
- GDP per capita, $ PPP valuation (2005) 4,832
- Life expectancy (2000-2005) 69.5
- Illiteracy rate (2005) 46.5

Morocco

All tables and graphs in this section are available in Excel format at:
http://dx.doi.org/10.1787/574814866518
AFTER HAVING PERFORMED COMPARATIVELY well in 2004, the Moroccan economy suffered a setback in 2005 with real GDP growth estimated at 2.1 per cent. However, a recovery to 5.3 per cent is expected in 2006. In 2005, inflation was contained at 2.1 per cent and national unemployment reduced to 10.9 per cent. Public debt reached 75 per cent of GDP, down from 76.7 per cent in 2004, while foreign debt decreased to 25 per cent of GDP. Finally, the budget deficit increased to 4.5 per cent of GDP in 2005, but is expected to decline to 3.2 per cent of GDP in 2006.

Although reasonably encouraging, the results achieved by Morocco over the past few years remain insufficient in the face of the domestic and foreign challenges facing the country. Poverty, unemployment and social exclusion remain pervasive.

In response to these challenges, the government has implemented a series of policy measures. It significantly improved the business environment, reinforcing policies aimed at strengthening property rights and reforming labour regulations. It also signed several free-trade agreements with a view to strengthening exports and stimulating inward investment, and is preparing to launch a comprehensive reform of the agricultural sector to reduce its dependency on rainfall. However, major efforts are still needed to reduce the budget deficit in the medium term. The government also needs to persevere with structural reforms if the country is to achieve sustainable growth.

**Recent Economic Developments**

Economic growth was generally poor in 2005 due to insufficient rainfall and negative external factors. Consequently, real GDP grew at only 2.1 per cent in 2005, well below the rates of 5.5 per cent and 4.2 per cent achieved in 2003 and 2004, respectively. However, a recovery is expected in 2006 with real GDP growing
at 5.3 per cent. Non-agricultural GDP grew at 5.3 per cent in 2005, but is expected to grow by only 4.5 per cent in 2006.

In 2004, the primary sector registered a real growth rate of 1.9 per cent (compared with 18 per cent in the previous year) despite a significant decline in the fishing sector output. However, the sector contracted by 12.5 per cent in 2005 as a result of insufficient rainfall. The agricultural and fishing sector accounted for 13.3 per cent of GDP in 2005, down from 15.3 per cent in 2004. The sector’s performance is nonetheless expected to improve in 2006, growing at 11.6 per cent and contributing 13.9 per cent to the country’s growth. Cereal production reached 85 million quintals in 2004, up 8 per cent compared with 2003. Similarly, livestock activity increased by 6.9 per cent in 2004. Conversely, citrus fruits production declined by 13.5 per cent in 2004, and the performance of the fishing sector dropped by 8 per cent for the third consecutive year following the extension of the biological rest period.

In 2005, agricultural output is estimated to have contracted by up to 40 per cent in volume and up to 20 per cent in value as a result of below-average rainfall throughout the year. The exceptionally cold weather witnessed in January and February, and the extremely hot and dry weather recorded in March damaged many crops and delayed the harvesting of cereals. Consequently, cereal production in 2005 amounted to 42 million quintals, down almost 50 per cent in comparison with 2004. The authorities hope for an increase in cereal production, to 60 million quintals, in 2006. The strong heatwave experienced by the country in 2005 also had adverse effects on milk production, which fell by 10 per cent, and reduced the olive oil sector’s output by 50 per cent.

Fish production, on the other hand, remained constant in volume terms but increased by 17 per cent in value terms during the first quarter of 2005. The new fishing treaty signed between Morocco and the EU to replace the one which expired in November 1999 will come into effect in March 2006. It willgrant EU trawlers access to the Moroccan Atlantic waters for four years in return for an annual payment of 36 million. Each year, 14 million will be spent to upgrade and restructure the Moroccan fishing sector, which employs 400 000 people and accounts for 16 per cent of the country’s exports.

The secondary sector continued a positive trend in 2004, recording a growth performance of 4.9 per cent compared with 2.6 per cent in 2003. The positive trend persisted in 2005, especially in the energy and mining segments, reaching 4.4 per cent, and is expected to strengthen in 2006 at a rate of 4.5 per cent. The secondary sector accounted for 29.6 per cent of GDP in 2004. The industrial production index and the mining production index rose by 5.5 per cent and 8.6 per cent respectively during the third semester of 2005 compared with the same period last year, while exports of phosphates, phosphoric acid, and fertilisers had strengthened by 32.4 per cent, 25.6 per cent and 8 per cent respectively, by the end of July 2005.

Fuelled by strong domestic demand, energy production improved in 2004 by 11.2 per cent following the restoration of the Samir’s production capacity. Electricity production increased by 9 per cent during the first half of 2005. The overall energy sector growth rate is, however, estimated to have slowed to 6.9 per cent in 2005. The energy production index rose by 6.5 per cent in the third quarter of 2005, mainly due to the 11.4 per cent increase in the production of electricity. In September 2005, the Spanish-Argentine oil and gas group, REPSOL, started talks with the Moroccan authorities for the construction of a second refinery on the Atlantic coast between Casablanca and Rabat. With a refining capacity of more than 100 000 barrels per day, the 500 million project could be completed in 2008 or 2009, and would supply the Spanish and North African markets. However, no final decision has been taken yet concerning this project.

The construction and civil engineering sector continued to expand in 2005, recording growth of 6.5 per cent, up from 3.5 per cent in 2004. The sector’s performance is mainly the result of the government’s various initiatives to resolve the problem of shantytowns that have mushroomed around the kingdom’s major
cities, to enhance investment in the tourism sector, and to speed up infrastructure development.

Industrial activity grew by 3 per cent in 2004, but appears to have slowed during the first semester of 2005. This result is due in large part to the decline of the textile sector since the phasing out of the Multifibre Agreement in January 2005. Textile exports declined by 17 per cent in value during the first five months of 2005, and up to 20 000 jobs may have been lost. Official estimates from the Ministry of Industry forecast that as much as 30 per cent of the sector’s jobs and 20 per cent of its exports could be lost over the next five years. Despite these mediocre results, big international firms announced plans to invest $300 million in Morocco over the next few years, thus generating 2 500 new jobs.
Among these investments, Fruit of the Loom is investing $16 million, the Spanish Tavex is planning to spend $75 million over the next three years, and Legler is investing $87 million in a denim factory near Rabat. These investments could be explained by the recent vertical international integration policies adopted by the Moroccan government, one result of which was the free trade agreement recently signed with Turkey.

In an attempt to resolve the crisis in the textile sector, the government and the Moroccan Association of Textiles (AMITH) signed an agreement to modernise the textile and clothing industry in October 2005. Called the Textile and Clothing Emergence Plan, this agreement offers an array of measures and facilities supposed to support companies’ restructuring programmes. In this context, three agreements dealing with customs, technical support and financing were signed between the government and various industry players.

The tertiary sector, accounted for 55 per cent of GDP in 2004. It displayed a 4.5 per cent growth rate, up from 3.9 per cent in the previous year. The positive results of the sector are linked to the good performance of tourism. The number of visitors topped 5.8 million in 2004, up 15 per cent in comparison with the previous year. This rise is linked to increases of almost 25 per cent and 9 per cent in the number of European tourists and of Moroccans living abroad, respectively, who visited the country in 2004. At the end of November 2005, 5.4 million tourists had visited Morocco, up 5 per cent compared with the same period in 2004. The Moroccans living abroad accounted for more than half of these visitors, reaching 2.53 million. The number of tourist nights amounted to 14.2 million by November 2005, up 16 per cent compared with the previous year. Receipts from tourism amounted to 37.5 billion dirham over the same period, up 18.3 per cent compared with the first eleven months of 2004.

In 2004, transport and communications increased at a rate of 4.8 per cent, whereas commerce grew at 7.2 per cent, up from 3.2 per cent and 4.1 per cent respectively in 2003. Projections for 2005 suggest the transport and communications sectors will continue to grow at 4.9 per cent, whereas commerce will grow at 5.3 per cent.

Following the deregulation of air transport initiated by the authorities, Royal Air Maroc, the national carrier, decided to increase significantly the size of its fleet and invited tenders in June 2005 for four long-haul aircrafts. It also showed interest in penetrating the hotel business through its hotel affiliate, Atlas Hospitality Morocco. It allocated some $55 million to acquire existing hotels and build new ones in various resorts, including Essaouira and El Hoceima.

Household demand slowed down in 2005 as a result of the poor performance of the agricultural sector. Private consumption rose by 0.7 per cent in real terms, compared with 11.3 per cent in 2004. It is expected to maintain its positive trend in 2006, with an expected growth rate of 4.5 per cent. Public consumption, on the other hand, almost tripled in 2005 compared with

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

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005(e)</th>
<th>2006(p)</th>
<th>2007(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross capital formation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>2.9</td>
<td>2.8</td>
<td>2.6</td>
<td>2.7</td>
<td>2.5</td>
<td>2.6</td>
<td>2.8</td>
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<tr>
<td>Private</td>
<td>17.8</td>
<td>19.9</td>
<td>21.4</td>
<td>22.4</td>
<td>21.3</td>
<td>22.1</td>
<td>22.7</td>
</tr>
<tr>
<td>Consumption</td>
<td>82.6</td>
<td>80.4</td>
<td>79.8</td>
<td>81.2</td>
<td>74.5</td>
<td>74.9</td>
<td>74.1</td>
</tr>
<tr>
<td>Public</td>
<td>17.8</td>
<td>19.4</td>
<td>20.0</td>
<td>20.2</td>
<td>19.1</td>
<td>18.8</td>
<td>18.7</td>
</tr>
<tr>
<td>Private</td>
<td>64.9</td>
<td>61.0</td>
<td>59.8</td>
<td>61.0</td>
<td>55.4</td>
<td>56.1</td>
<td>55.5</td>
</tr>
<tr>
<td>External sector</td>
<td>-3.3</td>
<td>-3.1</td>
<td>-3.9</td>
<td>-6.2</td>
<td>1.7</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Exports</td>
<td>28.5</td>
<td>33.8</td>
<td>32.5</td>
<td>33.1</td>
<td>39.1</td>
<td>38.2</td>
<td>38.0</td>
</tr>
<tr>
<td>Imports</td>
<td>-31.8</td>
<td>-36.9</td>
<td>-36.4</td>
<td>-39.3</td>
<td>-37.4</td>
<td>-37.8</td>
<td>-37.6</td>
</tr>
</tbody>
</table>

Source: National Statistics Office data; estimates (e) and projections (p) based on authors’ calculations.
Revenues from public finances increased by 6.6 per cent in 2004 while expenses grew at a rate of 6.3 per cent, causing the budget deficit to reach 3.2 per cent of GDP (5.7 per cent excluding privatisation receipts). The increase in government expenses was the result of a significant rise in oil prices, of the El Hoceima earthquake, and of the locust invasion.

Ordinary revenues, excluding privatisations, amounted to 122 billion dirham or 26.5 per cent of GDP in November 2005, up 17.1 per cent compared with the same period in 2004. They are expected to reach 128 billion dirham or 24.3 per cent of GDP in 2006. Fiscal revenues improved by 8.5 per cent in 2005, following 9.8 per cent and 9 per cent increases in direct and indirect taxes respectively. They are expected to grow at 2.5 per cent and reach 98.7 billion dirham in 2006. Custom proceeds grew at 2.4 per cent in 2005 relative to 2004, despite the dismantling of tariffs undertaken by Morocco to comply with the FTAs it has signed. As far as VAT proceeds are concerned, they have increased by 11.3 per cent compared with 2004, following the 2 per cent and 19 per cent increases in VAT proceeds from the domestic market and imports respectively. These increases are linked to the 14.6 per cent increase in goods and services imports. Customs proceeds are nonetheless expected to decline by 6.9 per cent in 2006 compared with the previous year, as a result of further tariffs removals following the enforcement of the free trade agreements with the United States and

**Macroeconomic Policies**

**Fiscal Policy**

The Moroccan government managed to maintain its budget deficit to reasonable levels over the period 2001-04, owing mainly to exceptional privatisation receipts. It is however facing strong structural pressures, linked primarily to wages and salaries expenses, as well as external pressures resulting from severe droughts and the significant increase in oil prices, that require serious fiscal discipline in the medium term.
Turkey on 1 January 2006 and July of the same year respectively. Non-fiscal revenues, on the other hand, totalled 16.6 billion dirham in 2005 and should reach 19.5 billion dirham in 2006. In order to stabilise receipts and improve the fiscal system in Morocco, the authorities intend to implement a set of reforms that will simplify the VAT, enlarge the tax base and reduce fiscal exemptions.

Privatisation receipts are expected to amount to 7 billion dirham and 4.95 billion dirham at the end of 2005 and 2006 respectively. These will be generated following the sale of Comanav, Somathres, and the remaining 20 per cent of Régie des Tabacs.

Total expenditures totalled 138.9 billion dirham in 2005 and are expected to decline by 4.4 per cent to 115.7 billion dirham in 2006 after the completion of the “voluntary departure” programme initiated by the government to alleviate its expenditures on salaries. Expenditures on goods and services will decrease by 6.3 per cent in 2006, while other current expenditures are expected to fall by 16.6 per cent compared with estimates for 2005. Compensation charges totalled 8.7 billion dirham in 2005, and are expected to decline slightly by 0.3 per cent to 8 billion dirham in 2006. The larger share of these charges (81 per cent) is allocated to energy products.

Investment expenses totalled 18 million dirham at the end of 2005, equivalent to 6.3 per cent of GDP. They are expected to increase in line with GDP in 2006. At the end of 2004, 83 conventions were signed with the Hassan II Fund for a total amount of 11.9 billion dirhams. These conventions involved projects in low-cost housing, ports and maritime infrastructure, highways and roads, and the industrial sector. Combining public entities’ investments with those undertaken through the Hassan II Fund will amount to a total public investment of 78 billion dirhams in 2006.

Official figures therefore suggest that the overall budget deficit amounted to 4.6 per cent of GDP in 2005 and should decline in 2006. At the end of 2005, outstanding direct treasury debt stood at 70.8 per cent of GDP (compared with 66.4 per cent in 2004) and is expected to remain at 70 per cent of GDP in 2006.

**Monetary Policy**

Excess liquidity persisted in 2005. Money supply (M3) grew at 11.4 per cent in 2005, up from 7.6 per cent in 2004 and 8.7 per cent in 2003. Quasi-money, on the other hand, contracted by 0.9 per cent over the first quarter of 2005 while M1 increased by 4 per cent. Lending to the private sector accelerated by 6.3 per cent over the first five months of the year compared to 6 per cent for the whole year of 2004. Net claims on the government declined in 2005, essentially as a result of the sale of a further stake in Maroc Telecom to Vivendi at the end of 2004.

Inflation was kept down to 2.1 per cent in 2005, compared with 1.5 per cent in 2004. Food prices grew by only 0.7 per cent in 2005, following the good performance of the primary sector in 2003-04. Inflation is expected to be contained around the same level in 2006 and 2007.

Finally, the Moroccan currency appreciated by 0.7 per cent against the euro in 2005 and by 4.6 per cent against the US dollar.

**External Position**

As expected, Morocco’s export performance worsened in 2005, after the phasing out of the MFA in January 2005 and the resulting increased competition from Asian countries textile producers. Export earnings fell by 6 per cent in value compared with the same period in 2004. This downturn is related primarily to a 17 per cent decline in clothing exports, Morocco’s largest export sector. But clothing exports were not the only goods to experience a decline. Exports of electrical wires and cables also fell by 26 per cent in value over the same period, as did citrus fruits and other fruits (-20 per cent and -68 per cent respectively), and tomatoes (-7 per cent). Conversely, phosphates and phosphate derivatives, along with fish exports grew by 9 per cent and 22 per cent respectively over the first five months of 2005. The European Union and France in particular,
remain the main destinations for Moroccan products, as they absorb 73.3 per cent and 33.1 per cent respectively of the country’s exports.

Exports are expected to improve in 2006, growing at a rate of 6.1 per cent (compared with 1.3 per cent in 2005 and 4.8 per cent in 2004) as the free trade agreements (FTA) with the United States and Turkey come into effect. The US-Morocco FTA was scheduled to come into effect on 1 January 2005, but has been delayed to January 2006, waiting for Morocco to harmonise its legislation with the FTA requirements. The agreement calls for the immediate elimination of tariffs on 95 per cent of bilateral trade in consumer and industrial goods, and for the removal of the remaining tariffs on vulnerable Moroccan industries over a period of nine years.

Imports, in contrast, rose by 13.2 per cent in 2005 (6.1 per cent excluding oil imports), but are expected to grow at a slower pace in 2006 (9.2 per cent) due in large part to the increase in oil prices. The 36 per cent surge in the cost of oil imports witnessed over the first five months of 2005 compared with the same period in 2004 accounts for 70 per cent of the extra cost of imports, while imports of semi-finished goods, steel, chemicals and plastics rose by 11 per cent, 20 per cent, 16 per cent and 39 per cent respectively over that period.

Table 3 - **Current Account** (percentage of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade balance</th>
<th>Exports of goods (f.o.b.)</th>
<th>Imports of goods (f.o.b.)</th>
<th>Services</th>
<th>Factor income</th>
<th>Current transfers</th>
<th>Current account balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>-7.4</td>
<td>21.1</td>
<td>-28.5</td>
<td>4.0</td>
<td>-3.5</td>
<td>6.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>2002</td>
<td>-8.5</td>
<td>21.7</td>
<td>-30.2</td>
<td>5.4</td>
<td>-2.0</td>
<td>9.2</td>
<td>4.1</td>
</tr>
<tr>
<td>2003</td>
<td>-9.9</td>
<td>20.0</td>
<td>-29.9</td>
<td>6.0</td>
<td>-1.8</td>
<td>9.4</td>
<td>3.6</td>
</tr>
<tr>
<td>2004</td>
<td>-13.0</td>
<td>19.5</td>
<td>-32.4</td>
<td>6.8</td>
<td>-1.3</td>
<td>9.7</td>
<td>2.2</td>
</tr>
<tr>
<td>2005(e)</td>
<td>-12.8</td>
<td>18.2</td>
<td>-31.0</td>
<td>6.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006(p)</td>
<td>-13.8</td>
<td>17.6</td>
<td>-31.4</td>
<td>6.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007(p)</td>
<td>-14.0</td>
<td>17.2</td>
<td>-31.2</td>
<td>6.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and Privatisation data; estimates (e) and projections (p) based on authors’ calculations.
The combination of the sharp decline in exports and the rise in imports produced a trade deficit of 12.8 per cent of GDP in 2005. The resulting current account deficit amounts to 1.2 per cent of GDP, despite increases in tourism receipts (up 7 per cent) and workers remittances (up 4.6 per cent). The coverage rate of imports by exports is expected to fall below 50 per cent by the end of 2005, and to settle at 48.4 per cent in 2006, following rates of 62 per cent and 55 per cent in 2003 and 2004, respectively.

In 2004, the overall balance of payments registered a surplus of 2.3 per cent of GDP, up from 0.8 per cent in 2003. The country's external debt was brought down to 25 per cent of GDP at the end of 2005, compared with 26 per cent in 2004. Official reserves, on the other hand, amounted to 11 months of imports at the end of November 2005, up from ten months of imports at the same period in 2004.

**Structural Issues**

In the current context of trade liberalisation and enhanced international competition, the Moroccan authorities are fully aware of the need to accelerate structural reforms and improve transport infrastructures.

**Recent Developments**

Initiated in 2003, the privatisation process has so far generated 76.7 billion dirham in revenues to the government and led to the liberalisation of key sectors in the economy, including telecommunications, agribusiness, cement, steel and tourism. In late 2005, 70 entities out of 114 initially listed for sale have been privatised, including 44 companies and 26 hotels. The sale of Maroc Telecom (MT) and Régie des Tabacs in 2000 and 2003 respectively were by far the largest privatisation operations realised by Morocco. As far as MT is concerned, Vivendi Universal acquired 51 per cent of the telecom company in two steps, first purchasing 35 per cent of MT in 2000 for $2.3 billion, and then 16 per cent in 2005 for $1.2 billion. In 2004, the government also introduced 14.9 per cent of the telecom company’s capital simultaneously on the Casablanca and Paris stock markets, raising $800 million. The Spanish group, Altadis, on the other hand, acquired 80 per cent of the state tobacco monopoly company, the Régie des Tabacs, in 2003, after paying a price tag of $1.2 billion. The most recent privatisation operation took place in September 2005, with the sale of four state sugar companies to the Moroccan holding, ONA, for 1.367 billion dirham ($150 million). The privatisation trend is expected to continue in 2006, bringing in 4.8 billion dirham in revenue to the government.

The agricultural sector remains a key sector in the Moroccan economy, and the government is still struggling to face the challenges resulting from insufficient rainfall and poor management of available water resources. The sector currently employs 45 per cent of the country’s workforce but only accounted for 15.3 per cent of GDP in 2004. In addition, poverty is most pervasive in rural areas, exacerbated by the frequent droughts that hit the country over the past decade. Rain-fed production of cereals and vegetables represents around 80 per cent of the country’s farming and is mainly produced by small-scale farms with low-level technology means. Conversely, citrus and other fruit crops, which are the country’s sixth largest foreign currency earners, are less dependent on weather vagaries, as these are produced on medium- to large-scale farms with modern technology and means of production. In order to tackle the water management problem, the government, with the support of the International Financial Corporation (IFC), has recently signed a partnership with ONA to construct and manage an irrigation network to channel water from a dam directly to farmers, providing them with water at lower prices than those they currently pay.

In addition, the government launched a new plan in 2005 to upgrade the agricultural sector and resolve the crisis currently faced by the sector. The reform programme will require a budget of 2.6 billion dirham per year for the next three years, and is intended to prepare the country for the opening of the sector to foreign competition subsequent to the implementation of the EU and US trade agreements. The measures
proposed by the authorities to support the agricultural sector include the cancellation of the debt of 100,000 peasant farmers and the exemption from overdue interest and late-payment penalties of larger farms. The government is also seriously considering measures to restructure the agricultural sector so as to encourage irrigation and thereby reduce its reliance on rainfall. Among the suggested approaches are plans to convert some 2 million ha from rain-sensitive cereal production to other crops, as well as the provision of subsidies for the planting of olive oil trees and other tree fruits, medicinal plants, carobs and spices. Whether these plans will be successful depends heavily on the authorities’ ability to mobilise the necessary funding and to overcome the bureaucratic hurdles that have prevented earlier restructuring plans from being implemented. Official projections from the Ministry of Finance suggest nonetheless a better performance of the primary sector which is expected to grow by 11.6 per cent in 2006, with cereal production expected to reach 60 million quintals.

As far as financing is concerned, a new fund for self-employment assistance was put in place in 2005 by the government, in collaboration with the Caisse Centrale de Garantie (CCG). This fund is dedicated to the creation of new enterprises requiring a maximum investment of 250,000 dirham. It finances up to 10 per cent of the project free of interest, with the remaining 90 per cent supplied by banks and guaranteed by the CCG.

The Moroccan authorities also adopted measures to improve the overall business environment, introducing new reforms to the judicial system. A new Labour Code was adopted in June 2004, following the implementation of a new law on the protection of Industrial and Intellectual Property.

The Moroccan authorities have undertaken a series of reforms to reinforce private enterprises’ competitiveness and enhance job creation. Launched in the early 1990s in collaboration with the EU, the programme to upgrade private businesses did not meet expectations. As a result, the government decided to implement a series of new measures to allow these businesses to become better equipped to meet the competitive challenges lying ahead. The loosening of the requirements to start a new business, the assistance to the creation of new enterprises, the encouragement of entrepreneurship and the provision of new financial tools for new ventures creation are all measures adopted following the Initiatives d’Emploi held in September 2005. The main purpose of these mechanisms is to alleviate unemployment and eventually lead to the creation of 200,000 jobs by 2008.

Concerning micro-credit, the authorities have revised the relevant law governing the activities of micro-finance associations, allowing them to expand their activities, including the provision of housing loans to underprivileged individuals. New measures to allow these institutions to provide micro-savings and micro-insurance are also under consideration. The goal is for these associations to reach 1.5 million borrowers (up from 500,000 in 2004) and a loan portfolio of 5,000,000 dirham by 2010.
Transport Infrastructure

In 2005, the transport sector in Morocco contributed around 6 per cent to GDP, supplied 15 per cent of the state budget revenues and accounted for around 25 per cent of national energy consumption. In March 2003, the government launched a vast Transport Sector Reform Program (TSRP). The programme aims at improving the contribution of the transport sector to the national economy through: 

i) the modernisation of the transport infrastructure network; 

ii) the increased autonomy of the various national offices regulating the sector; 

iii) the gradual privatisation of public enterprises and the encouragement of private sector investment in transportation; and 

iv) the definition of an integrated road safety strategy. In order to implement its TSRP, Morocco secured financing in 2004 from the African Development Bank in the form of a budget support loan of 240 million, and from the European Union in the form of 90 million grant.

The programme aims at liberalising the road transport sector, renewing the vehicle fleet, improving road safety and reducing transport costs. The road network currently spreads over 60,500 km of roads and highways, including 32,080 km of paved roads. In 1995, the government had already begun a National Rural Road Program aimed at constructing 11,236 km of rural roads by 2005, followed by a Second Rural Road Program to construct 15,000 km between 2005 and 2015. By September 2004, 75 per cent of the first Rural Road Program was completed, and by the end of 2005, 9,276 km out of the 11,236 initially planned were completed. The goal of the second programme is to complete 1,500 to 2,000 km a year, therefore increasing rural populations’ road accessibility to 80 per cent, compared to less than 50 per cent currently. The government also plans to finish the construction of the 550 km Mediterranean bypass linking Tangiers and Saïdia by 2009.

With regard to highway infrastructure, the Ministry of Equipment and Transport has set itself the task of pursuing the construction of 400 km of highway between 2003 and 2007, completing 1,500 km of highways by 2010. The Asilah-Tanger motorway was completed over the summer of 2005, whereas the Tétouan-Fnideq motorway (28 km), the Settat-Marrakech motorway (145 km) and the Tangier-Mediterranean Port motorway are supposed to be completed by 2009. The Marrakech-Agadir motorway (233 km) is programmed to start in 2005 and be completed by 2009, whereas the construction of the Fes-Oujda axis is scheduled to take place over the period 2006-10.

Morocco currently has 26 ports – 6 pleasure harbours, 9 ports dedicated to fishing and 11 to international commercial activities. The port of Casablanca is the country’s largest port, accounting for 40 per cent of overall national traffic. This port handles mainly sundry goods, whereas Mohammedia specialises in oil traffic, Agadir in fish as well as fruit and vegetables, Safi and Jorf Lasfar in minerals, Tangiers in passenger transport, and Nador in steel, mining and food processing industries. In 2004, the country’s ports handled 61.5 million tons of goods, up 6.9 per cent compared with the previous year. Morocco is highly dependent on its ports for imports and exports. Imports accounted for 55 per cent of the overall traffic, while exports made up the remaining 45 per cent in 2004. Since 1980, the ports’ overall shipping volume has been growing at an annual average growth rate of 5 per cent. The share of trade that transits by sea exceeds 90 per cent.

Morocco plans to extend its port capacity, encourage greater private sector participation in port commercial activities, reduce port transit costs, and strengthen the competitiveness of the national shipping lines. As part of its reform programme, Morocco launched a 12 billion dirham ($1.37 billion) construction of the Tangier international new port “Tangier Mediterranean”. Located on the Strait of Gibraltar, 35 km east of Tangiers and 15 km from Europe, the Tanger-Med project is a 500 km² Special Economic Zone at the crossroads of major shipping lanes. Scheduled to be completed by 2007, this project will include a multi-purpose harbour, several customs free zones, and modern transport and service infrastructure. The operations of the first container terminal were awarded by tender to a
consortium led by Maersk, in partnership with the Moroccan conglomerate Akwa. Other tender offers have been or will soon be launched for the second container terminal, and for the petrol and truck-loading terminals.

The support and strengthening of the Moroccan fleet constitutes one of the strategic objectives of the TSRP given the current state of the national fleet which is very limited in size and fairly old. The three main operators in the sector are Comanav, the state shipping company, with 14 ships, Marphaecon, with 6 ships and IMTC with 8 ships. The country owned an overall merchant fleet of 44 units in 2004.

As far as air transport is concerned, the TSRP aims at liberalising the sector, removing the monopoly enjoyed so far by Royal Air Maroc, and reducing ground services costs. It also seeks to improve airport safety and security. Partial air-sector liberalisation was launched in February 2004. These reforms are meant to make Casablanca Mohammed V airport a hub for the entire North and West African region, as well as help the kingdom achieve its plan to attract 10 million tourists by the year 2010. The country has 28 airports, three of which (Casablanca, Marrakech and Agadir) account for over 90 per cent of the traffic. There were 12 new companies operating in the Moroccan skies in 2005, while a new national low cost company called Atlas Blue (a subsidiary of Royal Air Maroc) was launched in 2004 to service major tourist destinations in Morocco through charter and scheduled point-to-point flights. As a result, passenger traffic increased by 14.6 per cent between 2003 and 2004, up from 6.7 million to 7.69 million passengers, respectively. Freight traffic amounted to 54,372 tons in 2004, up 7.5 per cent compared to the previous year. Royal Air Maroc accounted for 64 and 59 per cent of global passenger and freight traffic respectively. Passenger traffic is forecast to rise by 300 per cent to 16.5 million by 2010. Scheduled flights are expected to increase at an average of 80 new flights per year, reaching 1,300 per week by 2010.

Concerning the rail network, the National Rail Office, the Office National des Chemins de Fer (ONCF), currently manages the overall rail traffic in Morocco, operating on a 1,907 km rail network. It offers both commuter trains between the cities of Casablanca, Rabat, Kenitra and El Jadida, and long-distance trains linking the major cities throughout the country. The office runs 104 commuter trains and 45 long-distance trains per day, and carried 18.5 and 22 million passengers in 2004 and 2005 respectively. Merchandise and phosphate rail transportation amounted to 32.72 million tons in 2004.

The TSRP includes various measures to upgrade the sector, including the acquisition of 18 multi-unit trains, the double-tracking of the rail network up to Fez, Settat and Jorf Lasfar to increase the number of departures to one per hour and reduce the journey time to those cities. Projects underway also include the extension of the overall rail network to add new links to Nador and the Tanger-Med port and to upgrade the existing train stations. The reform programme required ONCF to commit itself to restoring financial equilibrium within five years in return for an injection of funds from the government to help the office initiate a restructuring programme. The first step of the programme in 2003 was to begin the conversion of ONCF from a public agency into a public company controlled by the state under the name of Société Marocaine des Chemins de Fer (SMCF). Once the transformation is completed, the new entity will be granted more financial authority and will sign a 35-year contract with the state to run the national rail network. Privatisation of SMCF is also envisaged in the long run, as well as the opening of certain networks not presently used by SMCF to private operators for tourism and rail freight purposes.

Political and Social Context

Since coming to power in 1999, King Mohammed VI has prompted important social and political reforms. During his Throne Speech of 2003, the King outlined seven priorities to be tackled for the following five years. Apart from resolving the everlasting Sahara dispute, enhancing “democratic transition”, and promoting citizenship through education and religious
reform, the monarch insisted on the need to improve
the social climate through the adoption of a new labour
code, the introduction of a mandatory welfare and
health insurance, and the implementation of anti-
poverty measures and of larger social housing
programmes. He also prompted the government to
consolidate rural development, support the agricultural
sector, and turn Morocco into a “modern, productive,
inclusive and competitive economy” significantly
integrated in the world market, the ultimate objective
being to make Morocco a “regional pole and an active
international actor”.

The government adopted a new labour law in 2004
meant to stimulate investment, consolidate individuals’
fundamental right to employment, improve the
management of social conflicts and align the Moroccan
legislation with international standards. Unemployment
is a major challenge for the Moroccan authorities,
especially among young people. In 2004, the
unemployment rate among young graduates was
25.6 per cent, whereas 15.4 per cent of Moroccans
aged between 15 and 34 years were jobless, down from
18.9 per cent in 2003. The national unemployment
rate amounted to 10.9 per cent in 2005, compared with
10.8 per cent and 11.6 per cent in 2004 and 2003
respectively.

Starting in November 2005, the government also
implemented the Mandatory Health Insurance designed
to provide health cover to 7.8 million people. Currently,
only 16 per cent of the population have health insurance,
and most of them live in urban areas and work for the
public sector. The budget allocated to the health sector,
which amounted to 5.2 per cent and 5.01 per cent of
the government total budget in 2004 and 2005
respectively, is insufficient to meet the needs of the
population. Data for 2005 reveal that there is one
doctor for every 1 845 Moroccans, and one basic
healthcare institution for every 12 033 citizens.
Currently, the country has 126 public hospitals and
2 484 basic healthcare institutions. There are 16 307
doctors in the country, 57 per cent operating in the
public sector. There are also 15 400 qualified nurses.
Life expectancy averages 71 years, the birth rate declined
to 20.4 per thousand from 22.4 per thousand in 2000,
and the mortality rate was 5.5 per thousand in 2004
compared with 6.1 per thousand in 2000. The
government intends to allocate a budget of 6.08 billion
dirham to healthcare in 2006.

A Support Program to Reform the Education Sector
in Morocco (PARSEM) was implemented at the start
of 2005 to enhance the quality of school education and
improve school retention rates. Although public
spending on education exceeded 6 per cent of GDP
and made up 28 per cent of the government budget
in 2004, the schooling system in Morocco suffers from
deep inefficiencies and strong disparities between
genders and social groups. Consequently, PARSEM
introduced measures to improve the quality of education
and broaden the use of new information and
communication technologies in schools. These measures
include among other things the revision of school
curricula, as well as the development of school and
professional information and orientation centres, and
the provision of training programmes for teachers and
school supervisors. The support programme also
undertook major actions to improve school attendance,
especially for young girls, including the construction
of new schools in localities with more than 200
inhabitants where schools were not available, the
provision of school supplies to pupils from destitute
families, and the building of residence halls in rural areas
to encourage secondary and high school attendance.

In May 2005, King Mohammed VI launched a
new programme aimed at reducing inequalities and
poverty, and improving human development in
Morocco. Labelled the National Initiative for Human
Development (INDH), this programme has three main
priorities: \textit{i}) to strengthen the fight against poverty in
rural areas; \textit{ii}) to reduce social exclusion in urban
localities; and \textit{iii}) to intensify the fight against precarious
living conditions. The programme against poverty in
rural areas will target 360 priority localities where the
poverty rate exceeds 30 per cent, and will aim to reduce
this rate to 10 per cent, to lower the illiteracy rate to
20 per cent, to reach a 75 per cent girls schooling rate,
and to provide drinking water and electricity to at least
95 per cent of the population living in those areas. As
far as social exclusion is concerned, the INDH
programme will first be implemented in the 250 poorest urban districts, and will include upgrading basic infrastructure and improving access to health and socio-educational facilities, creating opportunities and income generating activities, and supporting people deemed to be extremely vulnerable. Finally, the programme against precarious living conditions is intended to help homeless young people, abandoned children, women living in precarious conditions, beggars and vagabonds, former inmates, disabled people with no income and destitute old people by placing them in specialised centres and preparing them for their future economic and social rehabilitation.

The government also implemented several measures to improve governance in Morocco. The ongoing measures include reforming the legal system and reinforcing transparency, restructuring and consolidating governance in state entities, carrying on the privatisation process, and upgrading public administration.