# Morocco


**key figures**

- Land area, thousands of km² 447
- Population, thousands (2002) 30 072
- GDP per capita, $ (2002) 1 200
- Espérance de vie (1995-2000): 68.7
- Illiteracy rate (2002) 49.3

# Morocco

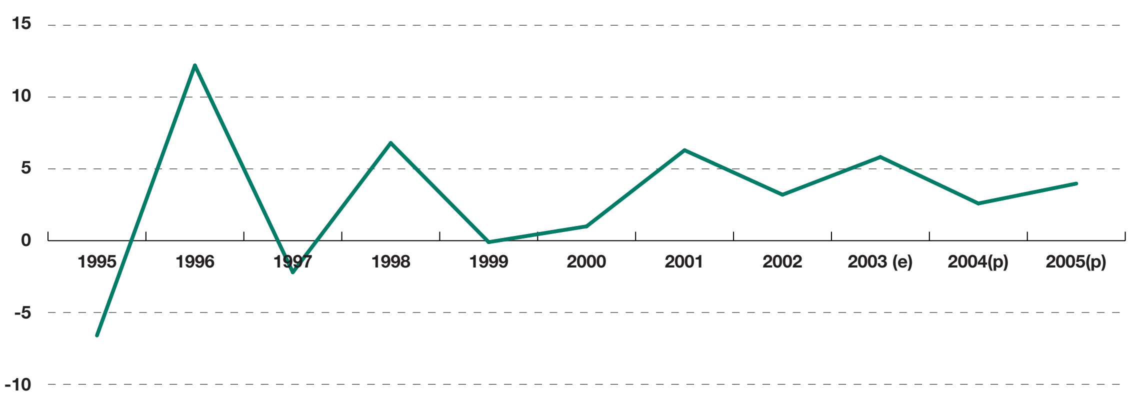
EFFORTS IN RECENT YEARS to consolidate macroeconomic stability produced growth of about 5.8 per cent in 2003, with 2.6 per cent predicted in 2004 and 4 per cent in 2005. The 2000-02 average of 3.5 per cent was an improvement on the 1.4 per cent of 1990-95. However, growth is very erratic because it still depends heavily on agriculture, despite government attempts to stabilise the sector and make it less vulnerable to the weather. The macroeconomic situation also improved, with debt reduced to 35.7 per cent of GDP in 2002 and inflation below 3 per cent (2.8). Inflation fell in 2003 but is expected to rise in 2004 and 2005.

Government finances have been tied to the proceeds of privatisation for the past two years and will continue to be as the government copes with a drop in revenue due to gradual abolition of tariffs under Morocco's free trade association agreement with the European Union. It faces rising demands from social sectors (education, health), where much also remains to be done to reduce social and regional disparities in the fight against poverty, which increased by 6 percentage points during the 1990s. With the idea of consolidating what has already been obtained, the government is determined to launch a further round of institutional and structural reforms to encourage the private sector, increase productivity and competitivity and ensure higher and more sustainable growth for comprehensive social development.

**The government is to launch a further round of institutional and structural reforms.**



Figure 1 - **Real GDP Growth**



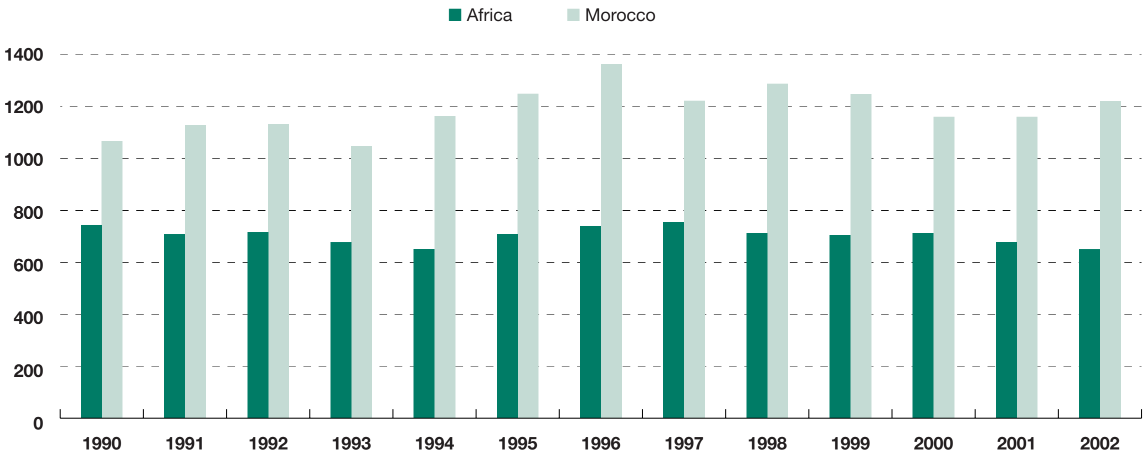

**Source:** National Statistic Office data; projections based on authors' calculations.

## Recent Economic Developments

The slowdown of growth in 2002 was not due solely to problems in agriculture, as on several recent occasions, but to a sharp fall in non-agricultural GDP, which grew only 2.8 per cent (3.6 per cent in 2001) because of slack industrial activity, the international economic downturn and the effect of terrorist attacks on tourist arrivals.

Despite growing 5.6 per cent in 2002, the primary sector did not manage to repeat its outstanding 2001 performance, when it bounced back after poor harvests in 2000. The slowdown would have been greater but for good results in cereals (+14.8 per cent), citrus fruit (+16.6 per cent), legumes (+46.25 per cent) and market gardening (+14.5 per cent). Livestock also did well thanks to government help, with cheap supplies of feed to make up for lack of fodder and with continued

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




**Source:** IMF.

veterinary care. Fishing production fell 12.8 per cent in 2002.

Morocco continued to extend and upgrade irrigated areas to stabilise the agricultural supply and make it less vulnerable to the weather, notably by strengthening a national programme to encourage local irrigation and use water more effectively. The government also sought to increase incomes in poorer regions by pursuing and boosting a rural development project in the mountain areas of Haouz province (over 239 200 hectares for 118 000 people) and an integrated rural development project in the Taourirt-Tafoughalt region (over 646 000 hectares). It is also working specifically to conserve forest resources for environmental reasons through a 20-year programme to plant a million hectares with trees and a plan to fight desertification.



The government did not renew Morocco's fishing agreement with the European Union and after consultations with the industry focused on a 2003-07 programme to increase production to 1.7 million tonnes and exports to 20 billion dirhams ($1.8 billion) and also create 30 000 jobs by 2007. It will expand industry infrastructure and set up new fisheries, develop aquaculture, modernise the fleet, boost maritime training and research and adopt a fishing code (recently sent to the government for approval).

Real agricultural output is expected to rise 19.9 per cent in 2003, mainly because of a good cereals harvest (nearly 77.6 million quintals), and then fall by 4.8 per cent in 2004.

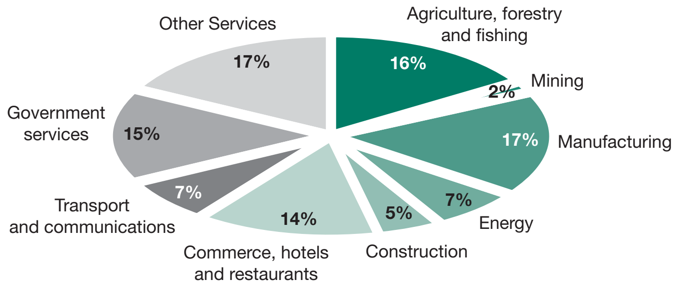
Manufacturing growth slowed to 3.3 per cent in 2002 (from 4.2 per cent in 2001 in real terms). Chemicals and parachemicals grew 5.3 per cent (4.5 in 2001), but all other components slumped. Food processing grew only 1.6 per cent (7 in 2001), metal, mechanical, electrical and electronic industries 3.5 per cent (4.4 in 2001) and textiles and leather 1.2 per cent (1.4 in 2001).

Growth in the mining sector speeded up a little (3.2 per cent in 2002, against 2.9 per cent in 2001) despite slack international demand and lower world prices for most of Morocco's exported minerals. Energy sector growth slowed in real terms to 3 per cent (7.8 per cent in 2001) as refinery output fell after a fire at the SAMIR refinery in November 2002. Production was gradually restored in 2003 as the three damaged units were reopened in January, March and July.

Growth in construction slowed to 5 per cent in 2002 (5.9 per cent in 2001) due to a 1.8 per cent cut in public works investments after three years of significant expansion.

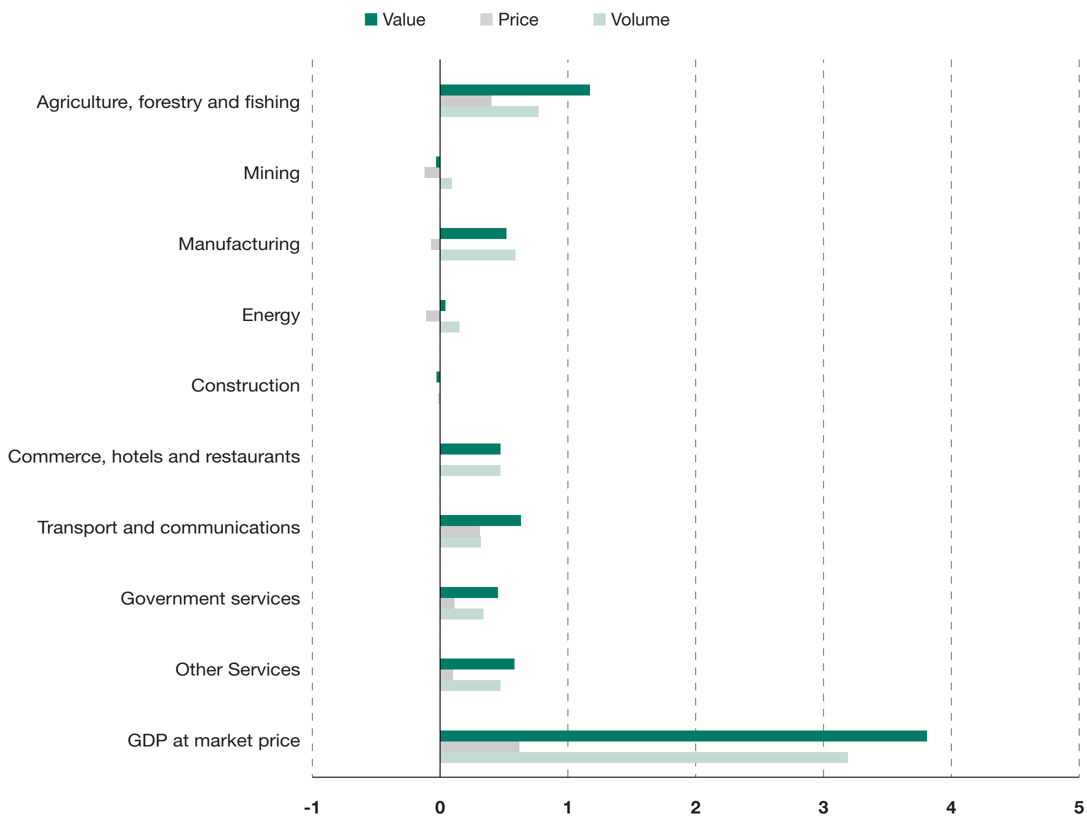
Overall growth in the secondary sector, which was 30.3 per cent of GDP in 2002, slowed to 2.7 per cent (5 per cent in 2001) but is expected to rise to 3.4 in 2003 and 4.4 in 2004.

## Figure 3 - GDP by Sector in 2002




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

## Figure 4 - Sectoral Contribution to GDP Growth in 2002




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



The services sector, at a steady 38.8 per cent of GDP in 2002, speeded up with 3.2 per cent growth (2 per cent in 2001), lifted by transport and communications (+4.5 per cent, -0.2 in 2001) and commerce (+3.9 per cent, 3.1 in 2001), which partly compensated for the sharp 7.5 per cent drop in hotel and restaurant activity (-1.1 in 2001) because of 1.2 per cent fewer foreign tourist arrivals (excluding Moroccans living abroad and cruise ship passengers) and a 10.9 per cent drop in overnight stays in graded hotels (-6.2 in 2001). Financial services were also down to 2.8 per cent growth (4.4 in 2001), reflecting the overall reduction in economic activity.

The services sector had better growth (3.6 per cent) in 2003, owing to the general improvement of the economy over the year, and this should increase in 2004 to 4.9 per cent.

Private consumption rose only slightly in 2002 and 2003, despite inflation being under control and a fall in unemployment. Private investment was sluggish in 2003 and gross capital formation is estimated to have declined due to less private investment and stagnant public investment. But both private and public funding should pick up in 2004 and 2005.

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

| | 1995 | 2000 | 2001 | 2002 | 2003(e) | 2004(p) | 2005(p) |
|---|---|---|---|---|---|---|---|
| **Gross capital formation** | **20.7** | **23.2** | **23.4** | **22.7** | **20.6** | **21.6** | **22.3** |
| Public | 3.7 | 3.0 | 2.9 | 2.7 | 2.7 | 2.9 | 3.1 |
| Private | 17.0 | 20.1 | 20.5 | 20.0 | 17.9 | 18.7 | 19.2 |
| **Consumption** | **88.9** | **88.2** | **86.6** | **86.5** | **82.5** | **80.6** | **80.4** |
| Public | 17.4 | 19.1 | 19.8 | 20.1 | 19.1 | 19.1 | 18.9 |
| Private | 71.5 | 69.1 | 66.8 | 66.4 | 63.4 | 61.5 | 61.6 |
| **External sector** | **-9.6** | **-11.4** | **-10.0** | **-9.2** | **-3.1** | **-2.2** | **-2.7** |
| Exports | 23.6 | 24.9 | 25.1 | 26.5 | 30.4 | 30.5 | 30.1 |
| Imports | -33.2 | -36.3 | -35.1 | -35.6 | -33.5 | -32.7 | -32.8 |

**Source:** IMF and domestic authorities' data; projections based on authors' calculations.



## Macroeconomic Policy

### *Fiscal and Monetary Policy*

Government funds to meet increasing demands for more and better health care and education and to reduce social and regional inequalities currently come largely from the proceeds of privatisation and dwindling customs revenue. The task is more difficult because Morocco has decided to join seriously the world economy, which requires a budget that gets the private sector moving and makes the economy more competitive.

Revenue (excluding special government accounts) fell to 95 500 million dirhams ($8.7 billion) in 2002 from 116 000 million ($10.3 billion) in 2001 mostly due to smaller privatisation proceeds, which were only 621 million dirhams ($56 million) in 2002, sharply down from the 23 400 million ($2.1 billion) of the previous year. The shortfall was partly offset by a 4 per cent rise in tax revenue, including a 2 216 million dirhams ($200 million) rise in direct taxes, 880 million ($80 million) in indirect taxes and 453 million ($40 million) in registration fees and stamp duty. Customs revenue fell very slightly (0.9 per cent) to 12 233 million dirhams ($1.1 billion) in 2002 as the third stage of tariff dismantling came into force in March 2002 as part of the EU association agreement to set up a free-trade area.

Privatisation revenue came almost entirely from disposal of the first tranche of capital of the Banque Centrale Populaire (544 million dirhams – $50 million) and of FERTIMA (77 million dirhams – $7 million). This was less than expected because the opening up of the Regie des Tabacs and Morocco Telecom was postponed.

Total expenditure (excluding special funds) in 2002 fell 2.3 per cent to 108 055 million dirhams ($9.8 billion) from 110 576 million dirhams ($9.7 billion) in 2001 as a result of government efforts to curb the budget deficit as revenue fell. Ordinary expenditure was down 1.5 per cent because of a 52 per cent drop in government subsidies to 2 352 million dirhams ($210 million), from 4 892 million ($430 million) in 2001, as price support ended for food oils and industrial sugar as the first steps to a total reform of subsidies.

Ordinary spending also fell because of a net 7.2 per cent drop in debt interest payments (-28.3 per cent on external and 2.6 per cent on internal debt). Public investment was also cut in 2002 by 5.5 per cent, to

19 259 million dirhams ($1.7 billion) from 20 396 million in 2001 ($1.8 billion), and directed towards infrastructure, anti-drought measures and social sectors.

All this produced a higher budget deficit in 2002, of 17 050 million dirhams ($1.6 billion), up from 10 041 million ($900 million) in 2001, or 4.3 per cent of GDP (2.6 per cent in 2001). It narrowed slightly in 2003 (to 3.8 per cent) and may fall further in 2004 and 2005 (to about 3.2 per cent) as government spending is cut further.

Table 2 - **Public Finances** (percentage of GDP)

| | 1995 | 2000 | 2001 | 2002 | 2003(e) | 2004(p) | 2005(p) |
|---|---|---|---|---|---|---|---|
| **Total revenue and grantsa** | **23.9** | **26.2** | **30.3** | **24.0** | **23.1** | **23.1** | **23.0** |
| Tax revenue | 21.6 | 22.7 | 22.0 | 22.0 | 21.1 | 21.1 | 21.0 |
| **Total expenditure and net lendinga** | **29.1** | **32.1** | **32.8** | **28.2** | **26.9** | **26.3** | **26.2** |
| Current expenditure | 22.1 | 24.2 | 23.5 | 22.3 | 21.0 | 20.6 | 20.2 |
| *Excluding interest* | *16.2* | *18.9* | *18.6* | *17.9* | *17.0* | *17.0* | *16.8* |
| Wages and salaries | 11.2 | 12.0 | 12.5 | 12.2 | 11.8 | 11.7 | 11.6 |
| Interest | 6.0 | 5.3 | 4.9 | 4.4 | 4.0 | 3.5 | 3.3 |
| Capital expenditure | 5.6 | 5.4 | 5.3 | 4.8 | 4.9 | 5.2 | 5.5 |
| **Primary balance** | **0.8** | **-0.6** | **2.3** | **0.1** | **0.2** | **0.3** | **0.1** |
| **Overall balance** | **-5.2** | **-5.9** | **-2.6** | **-4.3** | **-3.8** | **-3.2** | **-3.2** |

a. Only major items are reported.
**Source:** IMF and domestic authorities' data; projections based on authors' calculations.

Growth of the money supply (M3) slowed in 2002 to 6.4 per cent (after soaring 14.1 per cent in 2001) because net external assets only grew 8.7 per cent (86.4 per cent in 2001 due to an influx of private investments and loans linked with privatisation). Internal assets increased 4.1 per cent (3 per cent more credits to the government and 4.3 per cent more to the economy). Growth of credits to the economy has dropped sharply since 2000 (to an average 4 per cent a year between 2000 and 2002, compared with 9 per cent between 1998 and 2000) and affected mostly equipment credits (down 7.2 per cent), while credits to consumption grew 1.1 per cent and to housing 14.5 per cent.

Bank assets rose 6 per cent in 2002, while the liquidity rate (M3/GDP) increased 3.6 per cent to 99.4 per cent (95.8 per cent in 2001), despite efforts by the Banque Al Maghrib (the central bank) to mop up excess liquidity on the money market and raising the obligatory reserve ratio from 10 to 14 per cent. It also allowed banks to make currency investments abroad and make loans to non-resident foreigners in dirhams repayable in foreign currency investment in the case of building or buying property in Morocco.

Inflation rose to 2.8 per cent in 2002 (0.6 per cent in 2001), mostly because of higher food prices (up 4.3 per cent, after falling one per cent in 2001) which cancelled out a slowing of price increases in non-food goods to 1.4 per cent (2 per cent in 2001). Inflation in 2003 fell to 1.2 per cent, due to successful monetary policy, and should be about 2 per cent in 2004 and 2005.

The central bank's monetary policies led to a 2.5 per cent drop in the dirham against the euro in 2002 (-3.4 per cent in 2001, which largely offset its 6.3 per cent rise in 2000. However, the dirham rose 2.8 per cent against the dollar (-7 per cent in 2001 and -8.2 per cent in 2000). The bank's aim was to make Moroccan firms more competitive, especially for the European market, and able to face growing foreign competition in a difficult world economic situation. The policy continued in 2003, when the dirham fell 4 per cent against the euro and 15.5 per cent against the dollar.

## External Position

The government's foreign trade reforms, begun in the late 1980s, helped the opening up of the economy but were not enough to prevent firms becoming less competitive in the 1990s. This was partly because macroeconomic policy caused a rise in the real exchange rate during the decade, made worse by the fact that most competing economies carried out real devaluations, and partly because reforms were not backed up by structural reforms to improve productivity and the business climate.

The opening up of the economy has increased in recent years with ratification in 2000 of the 1996 association agreement with the European Union involving gradual abolition of tariff barriers on both sides for manufactured goods. The third and final stage of dismantling them for goods from the EU not produced in Morocco was implemented in 2003, after duties on products competing with Moroccan goods were reduced in March 2003 by an initial 10 per cent, with complete abolition due by 2012 in annual 10 per cent tranches. The share of exports in GDP grew 0.6 per cent in 2002, which was 7.1 per cent more by value, through increased exports of semi-finished (+14 per cent) and finished (+3.7 per cent) consumer goods, as well as food items (+8.8 per cent).

Exports of electrical and electronic goods rose 29.2 per cent (-4.7 in 2001) and clothing 7.3 per cent (+6.2 in 2001). The national phosphates company OCP's exports

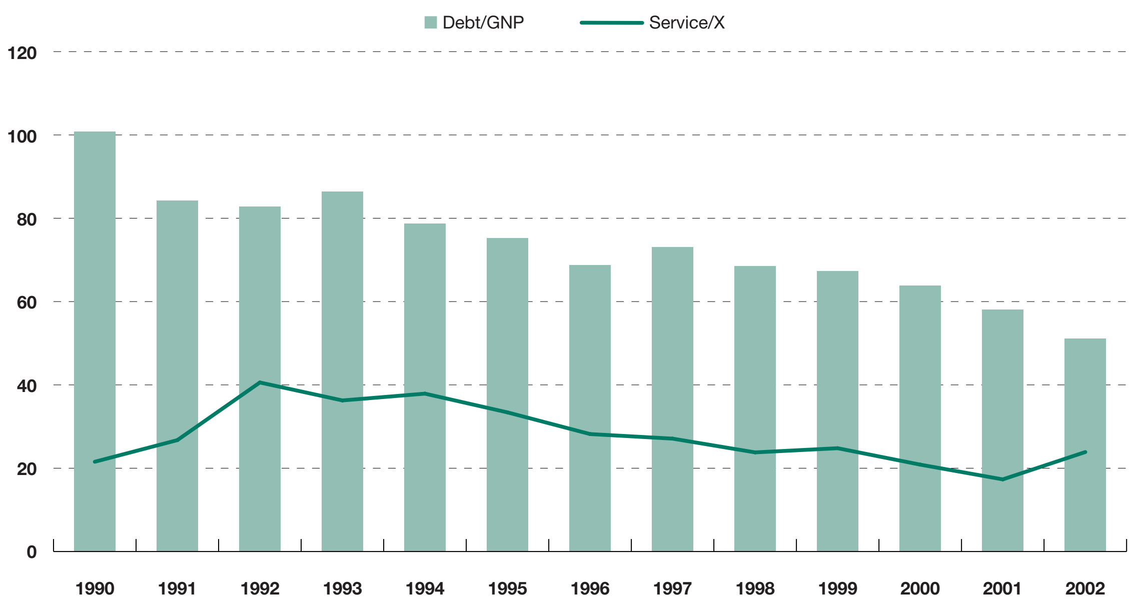
Table 3 - **Current Account** (percentage of GDP)

| | 1995 | 2000 | 2001 | 2002 | 2003(e) | 2004(p) | 2005(p) |
|---|---|---|---|---|---|---|---|
| Trade balance | -9.4 | -12.3 | -11.5 | -11.1 | -11.8 | -11.6 | -12.1 |
| Exports of goods (f.o.b.) | 21.0 | 22.3 | 21.1 | 21.7 | 19.0 | 18.5 | 18.1 |
| Imports of goods (f.o.b.) | -30.3 | -34.6 | -32.6 | -32.8 | -30.8 | -30.1 | -30.1 |
| Services | 2.9 | 6.1 | 8.3 | 8.0 | | | |
| Factor income | -4.0 | -2.6 | -2.5 | -2.0 | | | |
| Current transfers | 6.9 | 7.4 | 10.5 | 9.2 | | | |
| **Current account balance** | **-3.6** | **-1.4** | **4.8** | **4.1** | | | |

**Source:** IMF and domestic authorities' data; projections based on authors' calculations.



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




**Source:** World Bank.

(phosphates, natural fertilisers and phosphoric acid) declined by 3.4 per cent in 2002 (+2.4 per cent in 2001) because of drops in sales of phosphates (5 per cent) and of natural fertilisers and phosphoric acid (7.5 per cent).

Imports in dirhams grew 2.8 per cent by value in 2002 and fell 0.2 points in percentage of GDP due to more imports of equipment (13.6 per cent), raw materials (13.7 per cent) and finished consumer goods (4.7 per cent) and fewer imports of food (1.7 per cent) and crude oil for processing (11.2 per cent) because of the SAMIR refinery fire.

Despite the encouraging export situation, the country has a structurally high deficit that was 44 billion dirhams ($4 billion) in 2002 (11.1 per cent of GDP). However, with tourist revenue at 29 billion dirhams ($2.6 billion) and especially net current transfers (though falling) at 36.6 billion dirhams ($3.3 billion) (40.2 billion dirhams en 2001), the economy had a current account surplus in 2002 of 16.3 billion dirhams ($1.4 billion) (18.4 billion dirhams – $1.6 billion in 2001), or 3.8 per cent of GDP. It was about the same in 2003 as exports and imports remained steady, but were expected fall again in 2004 and 2005.

The capital and financial operations account had an 8.4 billion dirhams ($760 million) deficit in 2002 however – after a 22.6 billion dirhams ($2 billion) surplus in 2001 – due to a sharp drop in private foreign loans and investments and a higher (16.4 per cent) deficit in public sector financial operations because of a 10.5 per cent rise in external debt repayments as part of more active handling of the debt. All this enabled significant reduction of the external debt, to 51 per cent of GNP in 2002 (58.1 in 2001), and net external assets increased to the equivalent of 9.4 months of imports (9.1 in 2001).

## Structural Issues

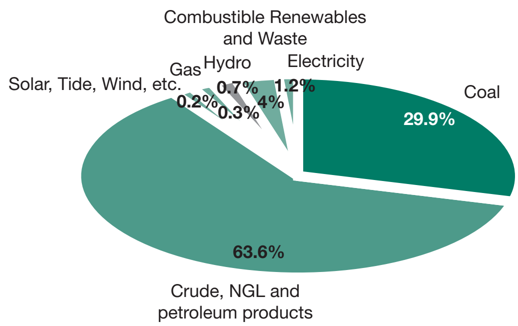
Morocco needs an annual growth of 5-6 per cent to improve living standards, cut unemployment and reduce poverty. To do that, it needs to boost factor productivity by modernising companies (also necessary if the country is to profit from the EU free-trade upgrading agreement) and improve the business climate to stimulate foreign investment. This involves deregulation to enable greater competition and labour flexibility, as well as completing reform of the financial sector.

As for energy, Morocco mostly uses fossil fuels (65 per cent oil, 27 per cent coal) and a lack of domestic energy sources makes the country dependent on other countries for 90 per cent of its needs.



To ease this dual dependence on growth and on standards of living, especially in the countryside, the government aims to ensure a steady supply of cheap energy, provide universal access to commercial energy in town and in rural areas, while preserving the environment. To reach these goals, it opened up the energy sector in 1994 by ending the monopoly of the state electricity company, ONE, and allowing franchises

Figure 6 - **Structure of Domestic Energy Supply in 2001**




**Source:** International Energy Agency.

to generate current and private firms to distribute it in major cities (Lydec in Casablanca, Rédal in Rabat and Vivendi in Tetouan and Tangiers).

The state oil distribution companies were also privatised in 1994, and the two refinery firms – SAMIR and SCP – were sold in 1997 to Corral Petroleum, which merged them in June 1999. The state oil prospection firm ONAREP and mining firm BRPM were merged in 2000. A new oil and gas sector law came into effect in 2000 to encourage private initiative and partnership with tax holidays and streamlined contract procedures.

The government is also trying to diversify energy sources and ONE has 24 hydroelectric plants that (except in drought years) can supply 8 per cent of the country's electricity needs. Morocco turned to coal in the 1980s to satisfy demand from cement and sugar factories and some of ONE's thermal plants.

A section of the gas pipeline from North Africa to Europe has run through Morocco since 1996 and an extension is being built. The country has been connected to the Spanish national electricity grid since 1997, with a doubling of capacity planned and a third line to Algeria. ONE signed a deal with Endesa and Siemens in December 2002 to build a gas-fired combined-cycle power station at Tahaddart. Work on it began in February 2003 and it should be complete in February 2005 and eventually able to supply 17 per cent of the country's electricity needs.

Renewable energy is being pushed with the building of a wind farm at Koudia Baida in 2000 and tax holidays since 1996 on equipment using wind power. The government has set up a peaceful nuclear energy body (the Centre National de l'Energie, des Sciences et des Techniques Nucléaires) to work with the United States to build an experimental reactor at Maâmora.

Tax and pricing reforms were made in the energy sector in 1995 to improve performance and securing budget revenue. Prices of refinery products are indexed to international prices in Rotterdam, those of other products (base oils, bitumen, paraffin and propane) were decontrolled and duty on imported oil was replaced by domestic consumption taxes (TIC) on refined products. All this made some firms less competitive, so the government granted exemptions to the fishing, sea and air transport sectors, introduced a drawback system to refund electricity taxes to exporters of items such as cement, cement construction products, tyres and clinker, cut by more than half the TIC on fuel used to produce electricity and from 2001 gradually extended the principle of deducting VAT, as on diesel fuel for public transport and freight haulage.

The government temporarily exempted refined oil imports from duty in 2002 and suspended TVA and cut duty by 2.5 per cent on imported butane and propane. This was done after the fire at the SAMIR refinery.

The government wants to modernise industrial performance and improve firms' operational environment and is getting help under the European Union's MEDA programme. The industry, trade and telecommunications ministry is in charge of the modernisation, which is carried out by a national committee, the CNMN. It involves professional training, as well as promoting exports and investment finance methods. But the rate of higher and middle-level training has not increased and funding from MEDA has not been enough to persuade firms, especially smaller ones, to improve their workers' skills.

New funding instruments include the Caisse Centrale de Garantie (CCG), specialised funds and external credit lines. The CNMN boosted the modernisation programme in June 2003 combining investment and export promotion in a single body (ONIX) and set up the Institut Marocain de la normalisation (IMANOR) and the Comité Marocain d'accréditation (COMAC). The government also plans to establish quality control of goods, services and industrial plant.

Making the economy more efficient also means continuing the privatisation programme which began in 1993 but has slowed in recent years. The Régie des Tabacs, which should have been disposed of in 2002, was sold in 2003 for 14.1 billion dirhams ($1.5 billion) and was the only major privatisation that year. The government is counting in 2004 on 12 billion dirhams from the sale of a second 20 per cent share of the Banque Centrale Populaire (the first was of 21 per cent in 2002) and the sale to Vivendi Universal of 16 per cent of Maroc Télécom, which will also be floated on the stock exchange.

The central bank made reforms in 2002 to strengthen the banking sector and improve the working of the capital market in an effort to raise money to restructure and modernise the economy. Prudential rules were reformed, concerning external auditing of credit houses, approval of auditors and the extent of their work. The bank has also changed rules about classification of loans and their security and extended such rules to finance companies.

The central bank is getting more power to regulate the banking system under a draft banking law and more independence to conduct monetary policy (under a special draft law on the bank's status). It will also dispose of its shares in credit houses, which should boost its supervisory role in the sector. The Banque Nationale de Développement Economique has been made into a commercial bank, the Crédit Populaire du Maroc into a limited company and the Crédit Immobilier and Hôtelier is being reorganised.

## Political and Social Context

Much has changed in Morocco over the past decade, including moves to democratise public life and make government and public institutions operate more transparently. A key to this was amending the national constitution in 1996 under the late King Hassan II to, among other measures, give more power to parliament and prepare for elections in 1997, which resulted in a coalition government headed by a senior opposition figure, Abderahaman Youssoufi. Determined to give an impetus to the political transition process, King Mohammed VI, has taken steps to boost civil liberties and human rights.

These include setting up a human rights advisory committee (of all political parties and some NGOs) with wide investigatory powers, reforming the civil liberties code, abolishing the state broadcasting monopoly and creating a national broadcasting watchdog body, strengthening minority rights by setting up a Royal Institute for Amazigh Culture and incorporating its Berber language in schools. Landmark gestures have been allowing the family of executed Gen. Mohamed Oufkir to return from abroad and purging the powerful interior minister Driss Basri.

In the same vein, efforts have been made to boost the government's openness and improve its relations with citizens. These include reforming public procurement, setting up regional boards to audit public accounts, new rules for collections debts to the authorities, a law obliging officials to avoid oral decisions and to explain measures in writing and creating an ombudsman system (Al-Wassit) to hear citizen complaints and mediate in disputes between them and the authorities.

One of the major reforms implemented by the king is the revised Family Law (*moudawana*), adopted in early 2004 and giving both spouses shared authority in the family, abandoning the rule of obedience to the man, raising the minimum age of marriage for girls from 15 to 18, requiring a court order for divorce and giving a wife the right to ask for one.

The social sector is one of the government's major priorities, for both social reasons (building individual capacity, combating social and regional inequality, poverty and exclusion) and economic ones (skills training and qualifications that firms need to boost their productivity and be more competitive). The government has focused in recent years on fighting growing poverty, which affected 19 per cent of the population (5.3 million people) in 1999, up from 13.1 per cent (3.4 million) in 1990. It was worse in the countryside (27.2 per cent in 1999, 18 per cent in 1990) than in towns and cities (12 per cent in 1999 and 7.6 in 1990).

The economy created nearly 221 000 jobs in 2002, up from only 64 000 in 2001, mainly owing to 52 000 new jobs in country areas, which lost nearly 109 000 in 2001. This brought the national unemployment rate down to 11.6 per cent in 2002 (12.5 per cent in 2001) and benefited men much more than women. Joblessness among graduates fell from 26.8 to 25.6 per cent in urban areas and from 15.8 to 13.6 per cent in rural areas. This was much higher than for those without qualifications (10.4 per cent urban and 2.6 per cent rural).

The government has stepped up neighbourhood-oriented approaches with its Integrated Social Development Plan which aims to give the poor access to basic social services, encourage income-generating activity and create jobs for young people.

As well as combating begging and mobile trading and providing help through the national body Entraide Nationale, anti-poverty efforts include improving living conditions and basic rural infrastructure. Policy is guided by a survey showing a need to replace 1.24 million housing units in 2002, two thirds of them unfit for habitation (540 000 sub-standard and 270 000 in slums).



Efforts to tackle the situation include the 10-year National Programme to Prevent and Reduce Unfit Housing (PNRARHI), an updated version of the National Programme to Combat Unfit Housing (PARHI). It aims to increase cheap housing by using three income levels (multiples of the minimum wage) as a guide – houses for the poorest at between 80 000 and 120 000 dirhams ($7 300-$10 900) and for the two other categories at 120 000-150 000 dirhams ($10 900-$13 600) and 150 000-200 000 ($13 600-$18 200). It expands home loan facilities for poor and middle income families through greater involvement of banks in funding cheap housing.

Improving basic rural infrastructure is another government priority to reduce regional disparities and boost standards of living. Three major programmes since 1995 have achieved results in rural areas in electrification (55 per cent coverage in 2002, up from 17 in 1996), water supply (50 per cent, up from 14 in 1994) and road building (7 719 kms).

The government has tried to expand basic health-care facilities and train health workers in a sector that lacks these things, along with adequate infrastructure and equipment. Basic healthcare centres grew from 1 980 in 1998 to 2 341 in 2001 and the number of people per doctor improved from 2 579 in 1998 to 2 123 in 2001. Life expectancy rose slightly to 70 years in 2001 (69.2 in 1998) and child mortality was down to 39 per 1 000 (from 66 in 1980). Vaccination coverage of babies less than a year old was steady at 59 per cent.

There is still far to go in improving health care however. To guarantee better access to healthcare and higher quality, the government is working to strengthen preventive medicine, expand the hospital network, renovate infrastructure, ensure adequate medical supplies and extend coverage.

Based on the recommendations of the Education and Training Charter, the government has begun reforming the education system through laws setting up regional educational and training colleges, reorganising school life, amending the statutes of state schools and revamping basic education. First results are promising but insufficient, especially at secondary, higher and vocational training levels, in view of the population's expectations and the needs of the economy.

The most progress has been made at primary level, where net enrolment of 6-11 year-olds had risen to 92 per cent in the 2002/03 school year, from 69 per cent in 1997/98. It was especially good in the countryside, where the figure for boys was 87 per cent (up from 55.4) and 82.2 per cent for girls (up from 44.6). Nevertheless, the overall net primary enrolment rate still falls short of the goals of the Charter (95 per cent for 2002/03) which the government blames on a year-long delay in implementing the reforms.

Enrolment of 12-14 year-olds in 2002/03 was 66.3 per cent (53.7 per cent in 1997/98), with rural areas showing a rise to 47.4 per cent (from 29.7) and a doubling of girls' enrolment to 39 per cent. Overall secondary level enrolment was 41.2 per cent (14.2 in rural areas) in 2002/03, not enough to meet the economy's many requirements and challenges. Higher education also fell short with only 0.9 per cent of the population enrolled there in 2002/03 (1.6 per cent in Algeria and 2.3 per cent in Tunisia).

These figures show that despite some progress and government efforts (6.5 per cent of GDP spent on education), more action is needed, especially as illiteracy remained at a high 49.3 per centin 2002, despite more personnel and money focused on it.