

AFRICAN DEVELOPMENT BANK



KINGDOM OF MOROCCO

2007-2011 COUNTRY STRATEGY PAPER

NB : This document contains errata or corrigenda (see Annexes)

**OPERATIONS DEPARTMENT – NORTH B (ORNB)
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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
AFD	French Development Agency
AMU	Arab Maghreb Union
BAJ	Social Priorities Program
BMCE	External Trade Bank of Morocco
BNDE	National Economic Development Bank
BPW	Building and Public Works Sector
CSP	Country Strategy Paper
DEPF	Department of Studies and Financial Forecasts
DWSS	Drinking Water Supply and Sanitation
EIB	European Investment Bank
EU	European Union
FSCSP	Financial Sector Competitiveness Support Program
GDI	Gender-based Development Index
GDP	Gross domestic product
GREP	General Rural Electrification Program
IBRD	International Bank for Reconstruction and Development
IDF	Integrated Development Framework
IMF	International Monetary Fund
IsDB	Islamic Development Bank
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
MAD	Moroccan Dirham
MAD	Moroccan Dirham
MDG	Millennium Development Goals
MFP	Ministry of Finance and Privatization
MW	Megawatt
NDA	National Development Agenda (Government Agenda)
NEAP	National Environmental Action Plan
NGO	Non-governmental organization
NREP	National Rural Electrification Program
NRRCP	National Rural Roads Construction Program
NRRP	National Rural Roads Program
OECD	Organization for Economic Cooperation and Development
ONE	National Electricity Authority
ONEP	National Drinking Water Authority
ORMVA	Regional Agricultural Development Organization
PADII	Information Infrastructure Development Support Program
PAGER	Rural Collective Water Supply Program
PARAP	Public Administration Reform Support Program
PARCOUN	Medical Coverage Reform Support Program
PDRI-MVB	Integrated Rural Development Program in Bour
RAM	Royal Air Maroc
SAMIR	National Refinery Corporation of Morocco
SAP	Structural Adjustment Program
SDA	Social Development Agency
SDS	Social development strategy
SME	Small and medium-sized enterprises
SMI	Small and medium-sized industries
TI	Transparency International
UA	Unit of Account
UCIT	Undertaking for collective investments in transferable securities
UNDP	United Nations Development Program
UNS	United Nations System
WB	World Bank

CURRENCY EQUIVALENTS

JANUARY 2007

UA 1	=	MAD 12.7221
UA 1	=	US\$ 1.49015
UA 1	=	€ 1.15034

EXECUTIVE SUMMARY

1. **Introduction:** The current ADB Country Strategy Paper (CSP) for the Kingdom of Morocco covers the 2007-2011 period. Drafted through a participatory approach after two preparation and dialogue missions to Morocco from 14 June to 1 July 2005 and from 11 to 14 December 2006, this CSP follows the previous CSP approved by the Board of Directors on 3 December 2003 (ADB/BD/WP/2003/123) for 2003-2005. **An update of Morocco's CSP 2003-2005 (ADB/BD/IF/2006/128) was presented to the Board on 16 May 2006. That update provisionally retained the Bank's assistance strategy approved by the Board in December 2003.**
2. **Recent Economic Developments:** During 2002-2006, Morocco continued to record remarkable economic performance on the whole. Macroeconomic conditions remained stable. Internal and external balances were characterized by a generally positive real GDP growth rate, a current account surplus, a sustainable budget deficit, an external debt burden in steady decline and relatively controlled inflation. However, this excellent performance notwithstanding, the Government still has to address a series of challenges in the years ahead.
3. **The Government's first challenge is to generate robust, sustainable and steady growth that can substantially curb unemployment, poverty and marginalization.** The annual economic growth rate of about 4.4%, recorded over the last five years is inadequate and not stable enough to generate the impetus needed for a substantial and sustainable reduction in unemployment and poverty levels, especially in rural areas. While the national poverty rate is in decline, it remains very high (9.5% in 2006). Poverty mainly affects young city dwellers within the 15-34 age bracket who made up 78.7% of the urban unemployed in 2004. Similarly, the poverty rate which stood at 14.2% in 2004 compared to 19% in 1999 is still too high and constitutes a potential threat to social cohesion. The highest poverty levels and widest social disparities are found in rural areas. The rural poverty rate was 22% in 2004.
4. **The Government's second challenge is to strengthen the macroeconomic framework, mainly by consolidating the budget situation in the years ahead.** At the moment, there are no problems with financing the budget deficit. However, if the current budget adjustment strategy is not consolidated, the public finance situation could become unsustainable in the medium term, because of a certain number of constraining factors. The 2006 fiscal year showed a budget deficit (including revenue from privatization) of 1.7% of GDP compared to 4% in 2005. The 2006 budget deficit, net of privatization revenue, stood at 2.1% of GDP compared to 5.3% in 2005. Despite this good performance, the Government is aware of the need to step up its budget adjustment efforts, in particular by cutting the wage bill (which represented 13.5% of GDP in 2005 compared to 12.7% in 2004), reorienting the budget structure towards investments and social spending that have a direct impact on poverty, and raising tax revenue through implementation of tax reform. The objective of such budget adjustment is to ensure that the State has enough resources to finance the economy and be better prepared for unforeseen internal and exogenous shocks.
5. **The Government's third challenge is to improve the investment climate and boost economic competitiveness and productivity in order to create the right conditions for sustainable and lasting job-creating growth.** Considering Morocco's bid to integrate the world economy, tackling this challenge would require the authorities to speed up the implementation of broad-based structural reforms and accelerate the modernization process for basic infrastructure, enterprises and the institutional and regulatory framework.

6. **Government Agenda:** The general objectives of the Government's agenda are: to improve the social and economic wellbeing of citizens and buttress Morocco's excellent position on the political scene and in the world economy. The following four major concerns guided preparation of the Government's agenda: (i) consolidation of the rule of law and democratic gains; (ii) achievement of strong annual economic growth of at least 6% over several years in order to create jobs, reduce poverty and substantially raise living standards; (iii) implementation of structural reforms in order to modernize the national economy and energize Moroccan enterprises to face the challenges and constraints of globalization, and (iv) promotion of a social development policy in order to substantially reduce poverty and persistent social disparities. Hence, the Government's agenda has four main thrusts, namely: **(i) the promotion of the rule of law and modernization of public administration; (ii) the reinforcement and modernization of major infrastructure and superstructure networks; (iii) modernization of the national economy, support of Moroccan enterprises and boosting of their competitiveness and modernization of production methods and tools; and (iv) the rapid reduction of social disparities through implementation of the "grassroots policy" (i.e. the policy to reduce poverty and social disparities) and the National Human Development Initiative.**

7. **On the whole, the Government agenda is coherent and relevant:** It highlights the priority strategic reforms needed by Morocco's economy at the current crucial phase when it prepares to open up to international competition. The Government plans to place the Moroccan economy on the path to sustained and robust growth by adopting a resolute approach to complete structural reforms. Hence, there are many structural reforms on the Government agenda. These include trade liberalization; reform of public administration, the transport sector, justice, education, and the water and sanitation sector; privatization of public corporations; banking and financial reform; a new labor code; and tax reform. These reforms are relevant and their implementation has already led to an increase in general economic productivity. However, the challenge here is in the sequencing of these reforms and especially their pace of implementation.

8. **Bank Operations Strategy:** Considering: (i) Morocco's three main challenges; (ii) the lessons learnt from the Bank's previous assistance strategy; and (iii) the outcome of the dialogue with Moroccan authorities, civil society representatives and other development partners, the Bank has built its 2007-2011 assistance strategy for Morocco on three pillars. **These three pillars were selected on the basis of the following four criteria: (i) alignment with the main priorities of the country's National Development Agenda; (ii) increased Bank intervention in areas where it has a proven comparative advantage and which have a huge developmental impact as well as major structuring effects on the whole economy; (iii) increased harmonization of donor interventions and national ownership of reforms; and (iv) support to efforts aimed at reducing poverty and facilitating attainment of certain Millennium Development Goals. The three pillars selected are the following: (a) Consolidation of the governance system, (b) Development and modernization of infrastructure and enterprises, and (c) Promotion of human development.** The three main strategic goals pursued by the Bank assistance strategy through these three pillars are: (i) improving the business environment, (ii) boosting corporate productivity and competitiveness, and (ii) reducing social disparities, especially in rural areas.

9. It stems from the foregoing that the Bank's 2007-2011 assistance strategy for Morocco, while focusing on the abovementioned three pillars, will operationally focus on three priority operational thrusts that could be summed up as follows: (i) continued support to structural reforms; (ii) increased support to infrastructure and business development and modernization activities; and (iii) promotion of community access to basic social amenities, especially in rural areas. It is possible to establish synergy and coherence between the current assistance strategy and the previous one (2003-2006), since the first two priority operational areas are virtually the same. The

third area will ensure the redeployment and revival of Bank actions in the social sector at a time when the country has pressing social needs. During the mid-term review of the current CSP in 2008, this assistance strategy shall be reviewed in light of the guidelines in the Government agenda that shall be drafted after the legislative elections of September 2007 and the lessons learnt from its first phase of implementation.

10. In 2006, Morocco was ranked among the low-risk countries in the Bank's performance rating. Moreover, in the Bank's Country Policy and Institutional Assessment for 2005 (CPIA 2005), Morocco was ranked among the most successful countries with a CPIA rating of 4.28. Hence, because of Morocco's overall good performance, a recommendation has been made to activate the "benchmark scenario" which provides for financing of reform programs and investment projects as well as the mobilization of an indicative total loan amount averaging UA 228 million for 2007-2011. However, it should be noted that the Bank will show some financial flexibility in granting loans and increasing intervention areas for countries like Morocco whose CPIA is above 3.75 and whose risk rating falls between low and very low. With regard to resource allocation, consideration shall be given to the Government's request to use most of the resources to support major reform programs needed to consolidate the economic environment that will generate job-creating growth. The Bank will support structural reforms through an enhanced strategic partnership with the World Bank and the European Union. By implementing this assistance strategy, the Bank, which is Morocco's leading donor, also aims to consolidate its position as the country's leading partner by improving: (i) the quality of its intellectual contribution to policy dialogue; (ii) its responsiveness and flexibility to customer needs; and (iii) the quality of its project portfolio.

11. **Conclusions and Recommendations:** During 2007-2011, the Bank's assistance to Morocco, under the proposed assistance strategy, shall entail helping the country's economy to create conditions for generating sustainable and lasting job-creating growth that is strong enough to trigger a substantial reduction in unemployment and poverty. This strategy is in line with the priorities of the Government's development agenda, the Bank Group's 2003-2007 Strategic Plan and the guidelines of the Paris Declaration. The Board is therefore invited to consider and adopt this 2007-2011 Country Strategy Paper for the Kingdom of Morocco.

1. INTRODUCTION

1.1 The last Country Strategy Paper (CSP) for the Kingdom of Morocco, approved by the Board of Directors on 3 December 2003 (ADB/BD/WP/2003/123) covered the 2003-2005 period. After considering the 2003-2005 CSP, the Board congratulated the Kingdom of Morocco on the substantial progress made to consolidate and stabilize its macroeconomic framework and on its structural reform implementation efforts. However the Board expressed some concerns. It felt that the annual growth rate of 3.6% was not enough to ensure a substantial reduction in poverty and unemployment. In public finance, the Board encouraged the Moroccan government to step up its determination to consolidate major gains in public expenditure reduction, in particular the wage bill, and increased tax revenue. Similarly, the Board called for a speedy implementation of the reforms needed to create the right conditions for robust, sustainable and job-creating growth that is crucial to poverty reduction.

Box 1: General Information on the Kingdom of Morocco

The Kingdom of Morocco, which is located in the North-Western part of the African continent, has an extensive hydrographic network composed of great rivers and Wadis and two 3500 km long coastlines. Morocco is a constitutional, democratic and social monarchy. It has a bicameral parliament, with a Chamber of Representatives and a Chamber of Counselors. Its population was estimated at 31.5 million inhabitants in 2005, 58.9% of whom live in urban areas. The average annual population growth rate is estimated at 1.4% compared to 2.1% between 1982 and 1994. The dependency rate tumbled from 93.3% in 1981 to 56% in 2005.

With a per capita GDP of about US\$1787 in 2006, Morocco is ranked among middle-income countries. The average GDP growth rate was 4.4% for 2002-2006 compared to 1.8% for 1995-2000. According to forecasts, the real growth rate should stand at 7.3% in 2006 compared to 1.7% in 2005. Economic growth remains erratic mainly because agricultural production depends heavily on climatic factors. Also, production is below potential and not enough to ensure a substantial reduction in unemployment and poverty. The main activities include agriculture, manufacturing industry, tourism and mines. Morocco has taken the strategic development option of opening its economy to international competition. Accordingly, it has signed several partnership and free trade agreements with the European Union, the US, Turkey, Jordan and Tunisia.

Despite major advances in macroeconomic stability and structural reform implementation, the main social indicators, though improving, remain relatively low when compared to those of comparable middle-income countries. The unemployment rate in 2006 was 9.5% compared to 13.6% in 2000. Illiteracy affected 39% of the total population in 2006. Poverty fell from 25.5% in 1985, to 17.8% in 2001 and 14.2% in 2004. About 17.3% of the population was ranked among the "economically vulnerable" in 2004 compared to 24.1% in 1985.

1.2 On the Bank's portfolio, the Board urged the Kingdom of Morocco to further improve its performance by speeding up implementation of ongoing projects and reform programs so as to enhance their impact on development. Implementation of this assistance strategy has produced satisfactory results, especially in structural reform support. Moreover the Bank's portfolio was streamlined and its management improved (see section 4.2).

1.3 **The 2006 update of the 2003-2005 Country Strategy Paper (ADB/BD/IF/2006/128) was presented to the Board on 16 May 2006. It provisionally retained the Bank's assistance strategy approved by the Board in December 2003.** The current CSP 2007-2011, is based, *inter alia*, on various country reports prepared by the Bank as well as numerous missions by Bank experts to Morocco, especially the CSP preparation mission conducted through a participatory approach from 14 June to 1 July 2005¹. This document first of all presents recent political, economic and structural developments; followed by an outline and analysis of the Government's economic and social agenda; and lastly, presents the Bank's assistance strategy and agenda for 2007-2011 and makes recommendations to the Board.

¹ The following were also consulted during preparation of the RBCSP: economic documents and reports published by international institutions, notably the IMF, UNDP, World Bank and European Union, as well as Moroccan authorities, notably the speeches of His Majesty King Mohammed VI made during the Feasts of the Throne in 2004 and 2005, the launching of the National Human Development Initiative (NHDI) and the Government agenda presented by the Prime Minister to the House of Representatives on 21 November 2002 (see list of consulted documents in the annex)

2. COUNTRY CONTEXT

2.1 Political Context

Morocco's political system is unique in the region in that it is a constitutional monarchy in which the King reigns and governs. After the constitutional amendment of September 1996, Morocco initiated a veritable process of political liberalization and State consolidation. The result was the institution of a bicameral parliament with elections by universal suffrage to one of its chambers (the Chamber of Representatives). The Chamber of Counselors is elected by a college of grand electors composed of representatives of elected local Council officials, guilds and workers. Both chambers vote laws. The democratic transition initiated in Morocco has opened the way to multiparty politics and culminated in an unprecedented experience in the region, namely the peaceful accession to power, through an election, of an opposition party in March 1998. The political agenda on the organization of elections has since been respected. All the elections organized have been fair with the participation of several duly registered parties. After the legislative elections of September 2003 which peacefully put an end to this multiparty experiment, a broad-based coalition government now runs public affairs in the Kingdom under the leadership of His Majesty the King. Morocco enjoys political stability which is one of the major assets that account for its attractive business environment.

2.2 Macroeconomic and Structural Context Issues

2.2.1 **Economic Growth:** Over the last five years (2002-2006), Morocco's economy has enjoyed macroeconomic stability, with moderate inflation and a solid external position. Similarly, economic growth has been on the upward trend since 2000, although it has been erratic and not strong enough to substantially reduce unemployment and poverty. The economy grew at an average rate of 4.4% for 2002-2006, which is well above the 2.54% it recorded in 1998-2001. Were it not for the negative effects of successive major oil price hikes in 2004 and 2005 and the loss of agricultural output to drought in 2005, this positive performance would have been enough to raise the average growth rate to the 6% threshold necessary to trigger a substantial reduction in unemployment and poverty within a few years. The real GDP growth rates were 1.7% and 7.3% in 2005 and 2006 respectively, compared to 4.2% in 2004. Despite its low level, the growth rate of 1.7% registered in 2005, attests to the Moroccan economy's capacity to adapt to and absorb the negative effects of low agricultural output, oil price hikes and the end of the Multi-fiber Arrangement.

2.2.2 The surge in GDP at constant prices in 2006 (7.3%) is attributed to the excellent results of the agricultural sector, fueled by a good cereal season and the very sound performance of non-commercial agricultural activities. The primary sector reportedly registered a growth rate of 25.8% in 2006 (compared to -17.7% in 2005) mainly due to an excellent cereal season (92 million quintals). Meanwhile, exports of other products, excluding cereals and livestock products, in particular citrus fruits, fresh tomato and fishery products declined. Fishery products also declined in tonnage and value following a decrease in landed tonnage. According to estimates, primary sector value-added surged by 30.6% in 2006. This sector reportedly contributed 3.8 points to economic growth, compared to a negative contribution of -2.5% in 2005. Since 1994, non-agricultural commercial GDP has been growing. According to estimates, it grew by 5.1% in 2006, compared to 5.2% in 2005 and 4.7% in 2004. This performance is attributed to the positive contribution of various sectors, in particular the building and public works sector (BPW), industry, tourism, transport and telecommunications. The buoyancy of the construction sector, evident since 2003, continued in 2006 with constant GDP rising to 8.5% compared to 5.9% in 2005 and 3.5% in 2004. The dynamism of this sector has for several years been driven by the vast program of restructuring projects on improvement of unsanitary housing, road construction, industrial areas, seaports,

airports, tourism development and urban areas. Although the dismantling of the Multi-fiber Arrangement had negative effects on the textile industry in 2005, the situation in the industrial sector was characterized by an upsurge in output and exports in 2006 driven by high demand that benefited the MME (metallurgical, mechanical and electrical), agro-industrial and clothing sub-sectors.

2.2.3 In 2006, manufacturing industry GDP grew by 4% at constant prices compared to 2.6% in 2005. On the whole, industrial production reportedly grew by 4.5% during the first three quarters of 2006. Tertiary sector GDP at constant prices also grew at a remarkable 6.7% compared to 4.7% in 2005. Trade registered the most spectacular GDP growth in this sector, almost doubling from 4.6% in 2005 to 8.3% in 2006. Following the Government's revival of the tourism promotion policy under Vision 2010, the number of tourists and person-nights grew by 12% and 7% respectively in 2006. The positive economic growth cycle of the last few years was driven more by high domestic demand than exports. The fact that this cycle nosedived in 2005, then rallied spectacularly in 2006 and may soon take another plunge again is an indication that implementation of the vast structural reform program has not completely succeeded in transforming the supply structures and placing the Moroccan economy on the new path to growth in which the non-agricultural sector and technology-intensive exports play a more central role.

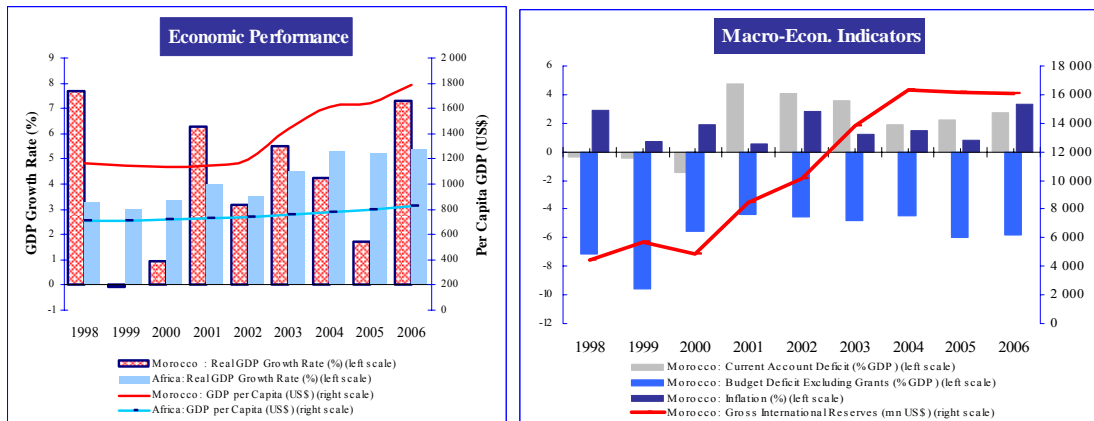
2.2.4 It should be noted that Morocco has adopted a new national accounting system which is in conformity with the System of National Accounts upgraded into an international standard by the UN in 1993. Accordingly, a new base year has been adopted for Morocco's national accounts aggregates. The new base year is 1998 instead of 1980. By applying the new system of national accounts, many economic and financial indicators were re-evaluated positively. Hence, the real GDP growth rate (base year 1998) for 2006 stood at 8.1%. Following this re-evaluation of the GDP, average growth over the last six years was 5.4%.

2.2.5 Budgetary Situation: Despite the budget consolidation process initiated by the Government over the last five years and the good performance of public revenue, the structural budget deficit remains, although it is in steady decline. The main cause of the high budget deficit over the last few years has been an increase in the public service wage. In 2006, owing to an improvement in the tax revenue collection system and a favorable economic situation, total revenue stood at MAD 140.406 billion, representing 28.3% of GDP, compared to MAD 124.538 billion or 27.2% of GDP in 2005. Tax revenue (with MAD 121.895 billion, representing 24.6% of GDP) accounted for most of this increase in total revenue. Total expenditure (recurrent and investment) in 2006 inched down from MAD 136.535 billion (representing 31.4% of GDP) to MAD 134.235 billion or 34.2% of GDP. Although 38,800 civil servants went on early retirement in 2005, there was no significant reduction in the wage bill in 2006. It represented 12.5% of GDP in 2006 compared to 13.6% in 2005. The implications of measures taken within the framework of the social dialogue in 2006 raised the wage bill even above the projections of the finance law. Offsetting expenditure has been rising steadily for some years now due to persistent external shocks, especially those related to the sharp rise in oil prices. In 2006, high sugar prices aggravated the situation of offsetting expenditure which already represented 50% of the investment budget in 2005.

2.2.6 In 2006, net compensation expenditure grew by 19.4% after an increase of 60.8%. The 2006 fiscal year ended with a budget deficit (including revenue from privatization) representing 1.7% of GDP compared to 4% in 2005. Excluding privatization revenue, the 2006 budget deficit represented 2.1% of GDP compared to 5.3% in 2005. This downward trend in the budget deficit is an encouragement to speed up the fiscal consolidation policy which alone makes it possible to prevent the budget deficit from crowding out the private sector in the medium term, undermining macroeconomic stability, altering private sector confidence and reducing the economy's capacity to

withstand domestic and external shocks. The success of the ongoing fiscal consolidation process will depend on the pace of administrative reform (control of the wage bill), review of the subsidization mechanism for certain food products and oil prices, continued reform of pension funds and implementation of more broad-based fiscal reform.

Graph 1: Macroeconomic Indicators I



2.2.7 Monetary Survey: Over the last five years, the monetary situation has been characterized by a steady increase in net foreign assets and credits to the economy, relative control of inflation and persistent excess liquidity. The increase in passenger revenue and remittances from Moroccans residing abroad (MRA), as well as revenue from various privatization schemes largely contributed to an increase in net foreign assets, which translated into a steady rise in foreign exchange reserves (about 11.7 import months per year). With regard to cost of living, although there were fluctuating trends, inflation was controlled during the five-year period under consideration. The continuous flow of foreign exchange from MRA remittances and privatization revenue is one of the factors that explain the persistent excess liquidity. To preserve the quality of credits to the economy, the Central Bank, in a context of moderate domestic demand, implemented a liquidity absorption policy that has made it possible to ease the pressure on prices. For the whole of 2006, the monetary situation was characterized by an increase in all monetary aggregates compared to the previous year: 17.7% for M1, 16.4 for M2 and 17% for M3. This increase in monetary aggregates stemmed from the 22.3% rise in net foreign assets and a 17% growth in domestic monetary credits. The sale, in foreign exchange, of 20% of the capital of the Tobacco Development Authority, for the sum of MAD 4 billion is one of the factors responsible for the increase in net foreign assets.

2.2.8 With regard to credits distributed to the commercial sector, housing sector credits reportedly grew at a faster rate. As was the case the previous year, the sharp increase in net foreign assets generated a situation of abundant liquidity. The excess liquidity stood at MAD 14 billion at the end of September 2006 compared to MAD 9.5 billion at the end of December 2005. The implementation of the liquidity absorption policy by Bank Al Maghrib (Central Bank of Morocco) has made it possible to curb the sharp rise in the inflation. According to official estimates, the 2006 inflation rate rose to about 3.3% compared to 1% in 2005. The last year during which the Moroccan economy registered an inflation rate exceeding 3% was 1995, that is more than 10 years ago. The cost of living index rallied spectacularly in 2006 because of the rise in food (3.9%) and non-food product indices. In the group of non-food products, "Transport and communication" registered the highest increase at 8.9%.

2.2.9 External Sector: Apart from the year 2000 when the current account balance showed a deficit (-1.4% of GDP), Morocco's external position has remained comfortable since 2001. On average, the current account balance for 2002-2006 was 2.92% of GDP. In 2006, the balance of payments current account surplus rose to about 4% of GDP, mainly because of a 29% rise in tourism revenue and a 17% increase in remittances from Moroccans residing abroad. However, this positive trend in the current account surplus masks a slight increase in the trade deficit from US\$ - 8 218 billion in 2005 to US\$ -9 420 in 2006. However, when compared to the previous year, the increase in the trade deficit was offset by the robust performance of exports in 2006. The surge in exports was fuelled by the rise in sales of finished products (40.4% of total exports compared to 38.4% in 2005) and semi-finished products (29.1% of total exports compared to 27.3% in 2005). This strong export performance was driven by high external demand for Moroccan products in 2006. The excellent performance of exports and the relatively slow growth in imports have made it possible to improve the import coverage ratio which has been falling since 2002. Hence, the import coverage ratio inched up from 53.8% in 2005 to 54% in 2006.

2.2.10 Debt Situation: The policy implemented by the Government to reduce its external debt, in particular active debt management, through prepayment of expensive loans and the conversion of loans into public and private investments, continues to provide good results, as reflected by the steady decline of the public external indebtedness ratio (which fell from 22.2% of GDP in 2005 to 19.9% in 2006); the external indebtedness ratio relative to balance of payments fell from 51% to 43%. External debt servicing relative to current balance of payments earnings stood at 6.7% compared to 23.9% in 1998. Meanwhile, the domestic debt registered a contrary trend up to 2005. It rose steadily, representing 56.5% of GDP (base 1980) in 2005 compared to 38.1% in 1998. In 2005, the domestic debt accounted for 79% of the total debt volume, whereas it represented 40.6 of GDP in 1994. However, due to the excess liquidity in the banking system, the domestic debt was financed at low cost without crowding out the private sector from credit facilities and undermining macroeconomic stability. Moreover, the profile of this debt has been improving steadily for some years now with a reduction in short-term debts compared to medium and long-term debts. In 2006, for the first time, outstanding domestic debts fell to 45.9% of GDP (base 1998) compared to 49.5% in 2005, representing a decline of 3.6 points. Meanwhile, although the direct total public debt registered a downward trend over the last few years (66.3% of GDP in 2004 compared to 76% in 2000), it rose in 2005 due to situational factors (energy bill and voluntary retirements) and the settlement of State arrears owed to the Moroccan Pension Fund (CMR). Hence, the public debt which represented 71.6% of GDP in 2005 remains relatively high. In 2006, the Treasury debt ratio fell by 6 GDP points to stand at 57% of GDP (base 1998). Its sheer size justifies the continuation of the budget adjustment process initiated by the Government.

2.2.11 It is evident from the foregoing that Morocco's macroeconomic situation over the last five years has remained satisfactory on the whole². Inflation is under control, the external position remains sound despite the persistent increase of the trade deficit, and the external debt is in steady decline. The level of foreign exchange reserves is comfortable and is clearly higher than the total external debt. However, in view of the medium-term stakes and challenges facing the Moroccan economy, this overall macroeconomic performance is not enough to generate robust and sustainable job-creating growth. The three main points of concern are: low and volatile economic growth rates, a persistent budget deficit and very high compensation expenditure. Rising compensation expenditure, started since 2001, is beginning to put a strain on public finance.

² In its preliminary conclusions after Article IV consultations with Morocco in 2006, the IMF stated that "the economy's fundamentals have considerably strengthened, and macroeconomic conditions have remained solid. Furthermore, progress achieved in the area of trade liberalization, the strengthening of the financial sector, and the privatization and liberalization of the telecommunications, energy, and transportation sectors have enhanced the overall productivity of the economy, making it less vulnerable to fluctuations in agricultural production".

2.2.12 **Structural context:** Since the early 1990s, Morocco has embarked on a vast and ever-expanding structural reform drive. There is a consensus within Moroccan society that implementation of structural reforms is one of the necessary preconditions for promoting more robust and sustainable economic growth. The series of structural reforms initiated include: external trade liberalization; reform of the judicial system, education, tax administration, procurement system and financial sector; price liberalization; transport sector liberalization; privatization of public corporations; labor code reform; health system management and financing reform; and public administration reform. Substantial, albeit unbalanced, progress has been made in the implementation of these various reforms. Given Morocco's international deadlines with regard to the opening-up of its economy and growth agenda, there is absolute need to speed up the implementation of these reforms in order to fully prepare national enterprises and the economy for integration into the world economy. Apart from rapid implementation, there is also the problem of coherent sequencing and steering of many ongoing and future reforms in the areas of taxation, land tenure, electricity sector liberalization, pension schemes, etc.

2.3 Sectoral Context Issues

Primary Sector

2.3.1 Agricultural Sector: Agriculture is one of the key sectors of the Moroccan economy. Its share in GDP formation was 14.7% on average for 2001-2004 compared to 13.8% for 1997-2000. Agricultural production which is very vulnerable to climatic changes has a considerable impact on GDP trends and on the economic situation of households, due to the huge proportion of the labor force employed in the sector and the consumption habits of the people (especially in rural areas) who mainly consume local staples. This sector employs 44.4% of the employed labor force at the national level and 80.9% at the rural level. It also makes a substantial contribution to the coverage of food demand (in cereals, fruits and vegetables, milk and dairy products, meat) and to external trade. However, the last few years have produced an increase in the agricultural trade balance deficit. Agricultural development is undermined by several constraints, which include its vulnerability to climatic factors, the complexity of the land tenure structure characterized by the multiplicity of legal regimes governing farmland ownership, the small size and fragmentation of farms, the low productivity of pastureland and forests, the deterioration of water quality and the silting of dams caused by the overtapping of natural resources. To reduce the vulnerability of agriculture to climatic conditions, Morocco set up a drought observatory which is a novelty in the region. In a bid to boost agricultural sector competitiveness, the Government instituted a strategy whose main focus areas are: reinforcement of the competitiveness of agricultural sub-sectors, adjustment of the land tenure policy and rationalization of the irrigation policy. With regard to subsistence farming, the new strategy is aimed at breaking the strong dominance of cereal farming by encouraging the development of enterprises that are more adapted to the Morocco's climatic conditions and have a competitive edge on the market.

Secondary Sector

2.3.2 Energy Sector: Morocco is very poor in local energy resources. Hence, the country depends almost exclusively on external supplies as borne out by its energy dependency ratio of about 97% (see Annex 15). Moreover, the output of the country's hydroelectric power stations depends on climatic factors, in particular rainfall. From 1998 to 2002, Morocco's needs were covered almost entirely by fossil fuels (oil and coal). Electricity which has an annual consumption rate of 6% is generated by predominantly thermal facilities. Consequently, the cost of generating electricity depends highly on variations in the price of oil and imported coal which are used as fuel. In the current context characterized by a sharp rise in oil prices, such energy sector dependency on oil aggravates the trade deficit and raises electricity generation costs. Energy costs are crucial to the

competitiveness of Moroccan enterprises. To address these serious constraints, a program to provide production means was instituted for 2000-2012. Similarly, a policy to develop electrical interconnections with Spain and Algeria and grant a production and distribution concession was implemented. There are also plans to gradually liberalize the electricity sector, set up a regulatory body and transform the National Electricity Authority into a corporation.

2.3.3 Potable water and sanitation sector: Morocco has made major gains in potable water supply in terms of service quality and the level of technology attained. However, it is mainly urban areas that have benefited from these gains. From 2001, the Government used reforms that advocated a new approach based on integrated and sustainable water management to generate a new momentum within the rural PWS sector. This new sector policy focused on: (i) general restructuring of the water sector; (ii) the designation of ONEP for, and ownership by it of the mission to generalize access to drinking water especially in rural areas; (iii) the setting of a new national target rate of more than 90% for access to safe water to be attained in 2007, thereby exceeding international targets including the Millennium Development Goals. To implement this new policy, the Government adopted the generalization of DWS as a strategic option aimed at closing the coverage gap between urban and rural areas and ensuring homogeneity of interventions in all regions.

2.3.4 However, sanitation which is also an element of the water cycle is excluded from these interventions because of inadequate technical and financial means. Such inadequacy is not in keeping with stated Government policies on the promotion of tourism, development of the industrial fabric and human development through poverty reduction. Cognizant of the gravity of the situation and its impact on the environment and water resources in a country characterized by scarcity and inequitable distribution of water resources, the Government designed a National Sanitation Plan to control the impact of sewage discharge on the environment and protect public health in order to attain set goals by 2020, namely: (i) reduce pollution by at least 60% , in accordance with national environmental protection strategy goals; and (ii) attain a rate of more than 80% in full connection to urban sanitation networks. This will have a positive impact on the environment by: (i) reducing environmental degradation; (ii) curbing health risks; (iii) providing the possibility of reusing treated wastewater; (iv) developing tourism; and (v) creating several working days.

Box 2: Emergence Plan

Morocco's industrial sector is of average economic importance, representing 16% of GDP and 12% of jobs. However, it accounts for a dominant 52% of total national exports. The sector is dominated by agribusiness and textiles. In the industrial sector, agribusiness represents 34% of GDP, 21% of jobs and 32% of exports; while leather and textiles account for 20% of GDP, 47% of jobs and 40% of exports. According to a recent study published by the Government, industrial sector competitiveness is undermined by a series of constraints at three levels, namely: the structural environment, production costs, and the structure of the sector and its operators. The structural environment is characterized by low domestic demand, unwieldy and complex administrative procedures and formalities, and a very cumbersome tax system. Production costs are characterized by: the non-optimal logistical means of reaching Europe, very high energy costs, and limited or tariff-controlled access to raw materials. The structure of the sector and its operators is characterized by: excessive fragmentation, and chronic under-capitalization that discourages major investments. In a bid to boost the sector and diversify the production base, the Government launched a new industrial strategy named "**Emergence Plan**". This plan seeks to adopt a resolute strategy to develop 7 potent sectors that will be transformed into engines of growth by 2015. These are: offshoring, electronics, automobile industry, aeronautics, agribusiness, textiles and processing of seafood products. **By 2015, implementation of the Emergence Plan should lead to the realization of an additional GDP of MAD 90 to 100 billion and the creation of about 500,000 jobs.**

Tertiary Sector

2.3.5 Transport Sector: This sector plays a primordial role in Morocco not only in transporting goods and passengers internally but also for developing the country's economic and social cohesion and ensuring Morocco's integration into the world economy. The sector's asset base is composed of: 60,000 km of road, 639 km of highways, 2000 km of railroad, 19 airports (of which 12 are

international) and 12 commercial seaports. From the economic and social standpoint, the entire transport sector accounts for about 6% of the gross domestic product on average, employs 10% of the labor force, and is responsible for 21% of national energy consumption. Over the last few years, a broad-based process to modernize the various modes of transport has been resolutely initiated with the launching of major projects and institutional reforms. Even so, the sector is still plagued by various constraints that prevent it from making its full contribution to the improvement of Morocco's economic competitiveness. Such constraints include: poor service quality and limited coverage, long waiting periods for goods transit, limited competition and the huge influence wielded by generally inefficient public monopolies. To prevent the combined effects of these various constraints from undermining the competitiveness of Moroccan companies, the Government initiated a reform and restructuring process on various modes of transport. This ADB-supported reform process, is aimed at promoting liberalization, greater competitiveness, professionalization and de-monopolization of the sector.

2.3.6 Tourism: The tourism sector has enormous development potential, considering its major natural assets (3,500 km of coastline, an Atlantic plain, an internal desert, the Atlas mountain range) and a diversified national culture. To boost activities in tourism which it raised into a priority economic sector, the Government drafted and implemented a development strategy called "Vision 2010" or "Plan Azur". This new policy is aimed at: reaching 10 million tourists, raising hotel capacity to 230,000 beds, attracting 8 to 9 billion euros as investment, generating foreign exchange earnings of €48 billion, creating 600,000 new jobs, and raising tourism's contribution to GDP to about 20% by 2010. Vision 2010 will be implemented through the execution of 6 major programs that focus on: products, training, development of air transport supply, marketing, tourism environment and institutional organization. Implementation of this new policy has started producing encouraging results. In 2005, tourism flows exceeded the threshold of six million visitors, the hotel occupancy rate rose from 43% in 2004 to 47% and earnings from transport grew by 29.2% compared to the previous year. This sector is equally witnessing a steady increase in private investments.

2.4 Priority Crosscutting Issues

2.4.1 Governance: The Government has, for several years now, been aware of the relationship between improving economic good governance and greater efficiency in economic and social development. This awareness constituted the basis for several actions that were taken and the various programs initiated. This was the case with: judicial reform; the new law on the accountability of budget authorizing officers, controllers and government accountants; and the law establishing the code of financial jurisdictions and defining the duties of the Audit Bench; public administration reform, etc.

Graph 3: GOVERNANCE SITUATION

Morocco's ranking in Africa 2005

First Quintile	First Quintile	First Quintile	First Quintile	First Quintile	First Quintile
Second Quintile	Second Quintile	Second Quintile	Second Quintile	Second Quintile	Second Quintile
Third Quintile	Third Quintile	Third Quintile	Third Quintile	Third Quintile	Third Quintile
Fourth Quintile	Fourth Quintile	Fourth Quintile	Fourth Quintile	Fourth Quintile	Fourth Quintile
Fifth Quintile	Fifth Quintile	Fifth Quintile	Fifth Quintile	Fifth Quintile	Fifth Quintile

Doing Business (WB)	Foreign direct investment (OECD)	Corruption perception (TI)	Political stability (KKIndex, WB)	Governance factor (ADB)	CPIA 2005 (ADB)
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2.4.2 It is through the ongoing public administration reform program that the implementation of good governance practices will have the greatest impact on the quality of public expenditure, the provision of public services, information transparency, management of the financial and human resources of the State and the accountability of managers. In most of the governance status assessments conducted by several international institutions (see Graph 3), Morocco, relative to other African countries, is among the leading countries in terms of the various governance indicators.

2.4.3 However, despite the significant progress made in governance, a lot remains to be done in the area of institutional reforms, professionalization of the administration, corruption control, deconcentration and decentralization. According to Transparency International (TI), corruption has been increasing in Morocco over the past few years. In 2006, Morocco was ranked 79th out of 163 countries (from 52nd in 2002) featured on the TI classification, far behind Tunisia (51st). It should be noted that Morocco has not yet ratified the UN Convention Against Corruption. Improving the highly centralized governance system in Morocco is a process whose results will heavily determine the pace and success of structural reforms initiated in the country and contribute to the improvement of the business climate.

2.4.4 **Labor Market:** The labor market situation in 2006 was characterized by a 1.5% rise in the employed labor force aged 15 and above, as compared to 2005 (2.4% in rural areas and 0.7% in urban areas); and a relatively substantial decline in unemployment. Moreover, the labor force participation rate was virtually stable at 51.3% compared to 51.5% in 2005. Owing to the robust economic growth recorded in 2006 (7.3%), the unemployment rate declined to 9.7% compared to 11.1% in 2005. This decline occurred mainly in urban areas where unemployment fell by 18.4% in 2006 compared to 15.5% in 2005, but remained virtually stagnant in rural areas where it barely crawled from 3.6% to 3.7%. Urban youth between the ages of 25 to 34 (notably women and graduates) benefited most from job creation in 2006. The services, construction and industrial sectors remain the main generators of new jobs in urban areas. In 2006, net job creation in the three sectors registered growth rates of 6.4%, 15% and 1.8% respectively. Although the youth benefited substantially from the decline in unemployment in 2006, the fact remains that unemployment is still a very disturbing social phenomenon among young city dwellers aged 15 to 34, who made up 78.7% of the urban unemployed in 2004. Moreover, for several years now, unemployment in Morocco has mainly affected graduates (22.4% compared to 5.2% for non-graduates in 2005). Unemployment is one of the countries major challenges for the next ten years. About 700,000 persons, half of them with no qualification, join the labor market each year.

2.4.5 Apart from insufficient economic growth, the rigidities that have characterized the labor market over the past few years equally account for current trends. Such labor market rigidity is one of the major constraints that have hampered the promotion of private investments. The new labor code adopted in September 2003 went into force in June 2004. It is a modern legal mechanism which Morocco developed in order to remain consonant with the international legislation in force. It tries to introduce much-needed flexibility into the labor market in order to boost competitiveness and promote investments while guaranteeing peaceful and serene relations between management and labor. The new labor code has, *inter alia*, improved the labor law application control mechanism and enhanced the protection of women and children at the workplace. The legal working age was raised from 12 to 15 and the special salary conditions applied to them were aligned on the relevant international conventions in force.

2.4.6 **Regional Integration:** Morocco has always displayed its determination to lay the foundations of its integration into its Maghreb, African and Arab environments as well as the Euro-Mediterranean zone. Hence, it readily joined the other Maghreb countries to create the Arab Maghreb Union (AMU) in 1989 with headquarters in Rabat. However, despite all the lofty declarations of intent, AMU hardly functions as the engine of regional integration for its member-

countries. Trade among AMU member-states represents only about 2% of total exports. This regional integration body suffers from a glaring lack of the political will to phase in concrete regional integration mechanisms. Despite the scale of the globalization challenge and the pressure it exerts on national economies, national interests still seem to outweigh the common economic interests and collective destiny of Maghreb countries. This lack of effective regional cooperation within AMU retards the emergence of a sub-regional market, constitutes a major constraint to the development of foreign direct investment (FDI) flows and limits access to world production and trade networks for the various member-countries.

2.4.7 Population: According to the general census of September 2004, the legal population of Morocco in 2004 was 29,891,708 inhabitants, comprising 29,840,273 Moroccans and 51,435 foreigners. Since 1994, Morocco's population has grown in relative terms by 14.6%. The result has been an average annual population growth rate of 1.4% compared to 2.1% between 1982 and 1994. The fall in this rate can be attributed to the decline in the general fertility rate of women aged 15 to 19 from 68.2% in 1982 to 10.3% in 1998. The total fertility rate fell from 5.5 children per woman in 1982 to 2.5 over the 2001-2003 period. The increase in age at first marriage, unemployment and contraceptive use are some of the reasons that account for this decline in the fertility rate.

2.4.8 The urbanization rate is rising sharply. It stood at 55.1% in 2004 compared to 51.4% in 1994. The population growth rate is higher in urban areas than in rural areas, standing at 2.1% and 0.6% respectively between the 1994 and 2004 censuses. Despite its relative decline, population growth translates into growing pressure on public resources, basic social facilities (limited in number) and natural resources (water, land and forests). The demographic transition has been very rapid in Morocco. While the total population growth rate has plunged to 1.7%, the labor force growth rate remains high (2.5%). For the moment, this demographic dividend is accruing within an economic context in which the productive system cannot fully take advantage of it.

2.4.9 Gender Parity: According to the UNDP's Human Development Report for 2006, Morocco is ranked 95th (compared to 102nd in 2003) out of 136 countries classified according to the value of their gender-specific development indicator. By way of comparison, it should be noted that Mauritius, Tunisia, Algeria and South Africa are respectively ranked 53rd, 73rd, 79th and 92nd in the same classification. The government's women's empowerment strategy is aimed at implementing an integrated and coherent policy in order to close the gender gap in the main areas of political, economic and social life. This strategy is implemented by supporting the institutions created to that end (specific Ministries and Secretariats of State). In a bid to obtain a clear picture of the gender parity situation, the Government conducted a study in 2003 entitled "Women and Men in Morocco: An analysis of the gender situation and gender disparity trends". The study found that although progress had been made in terms of female participation in decision-making, women's access to duty posts and public-sector decision-making remained limited. The percentage of women in higher education which rose from 36% in 1990-91 to 44.8% in 2003-2005 does not seem to have any significant impact on this situation. Morocco has ratified the main conventions and resolutions adopted by the UN and specialized bodies on women's rights, notably the Convention on the Elimination of all Forms of Discrimination Against Women.

2.4.10 The gender parity highlight in Morocco over the past two years was the adoption of the new Family Code in 2004. The main objectives of the code are, *inter alia*, to ensure the legal and administrative protection of the family as an institution, ensure legal control of certain procedures and promote equal family responsibility for men and women. Moreover, as part of the gender-sensitive budgeting process initiated since 2002, Morocco prepared gender reports that were appended to the Finance Laws of 2005 and 2006. The Government's determination to consolidate its gender parity gains was demonstrated recently in the explanatory statement of the 2007 Finance Law which recommended the use of the gender approach in budget preparation.

2.4.11 **HIV/AIDS and communicable diseases:** A comparative analysis of the causes of mortality between 1980 and 2002 reveals a sharp decline in communicable diseases from 17.9% to 4.7% and a rise in non-communicable diseases such as tumors (from 5.8% to 8%) and circulatory system diseases (from 15.5% to 20%). With regard to specific morbidity, much progress was made in the control of certain communicable diseases. Indeed, three target diseases of the national immunization program, namely diphtheria, poliomyelitis and neonatal tetanus are being eradicated while malaria, schistosomiasis and trachoma should be eradicated by 2010. This result is the outcome of strategies implemented over the last two decades, notably: early detection, compulsory notification and rapid response to epidemics, tuberculosis control and decentralization of case management which was integrated into the network of basic healthcare establishments, and improvement of epidemiological surveillance eye infections.

2.4.12 Morocco's HIV/AIDS epidemiological situation is unclear since no national seroprevalence survey has been conducted yet. According to official sources, the total number of AIDS cases as of 31 December 2004 was 1587. An analysis of this figure shows that: (i) more men are infected (62%); (ii) persons aged 30 to 39 are most affected (68%); (iii) heterosexual intercourse is the dominant mode of transmission (75%); and (iv) the epidemic is concentrated in urban areas (84%). Morocco's poor national health information system, high frequency of sexually-transmitted infections (STIs), rising prostitution and casual attitude to prevention campaigns will certainly fuel the spread of the epidemic if bold measures are not taken.

2.4.13 **Environment:** Morocco faces serious environmental problems such as: the degradation of water resources, an annual loss of 31,000 ha of forestland due to overlogging, deterioration of arable land, an annual loss of 5,600 ha to sand accumulation in palm plantations and oases, poor sanitation and treatment of wastewater, silting of irrigation infrastructure, wind erosion, air pollution and overgrazing. The loss of soil fertility and topsoil to water erosion is evaluated at about 20,000 ha annually. Population trends (notably high urbanization) and economic growth are putting a great strain on natural resources that translates into multifaceted environmental degradation. Given its negative impact on economic and human development, such degradation represents huge costs in economic and human terms. According to Government estimates in 2003, the annual cost of environmental degradation was MAD 13 billion or about 3.7% of GDP. Such costs include: the extra cost of treating drinking water; treatment costs for water-borne infectious and respiratory diseases caused by pollution and premature death from various forms of pollution.

2.4.14 Faced with this disturbing situation, Morocco has drafted a medium and long-term environmental protection plan together with a national environmental action plan. This strategy is based on a global and integrated vision aimed at transforming the environment into one of the central issues in the Government's sustainable economic development drive. In implementing this strategy, the government has taken bold initiatives such as: (a) the promulgation of four environmental laws (environmental protection and development, environmental impact assessments, air pollution, and solid waste management); (b) water policy reform (with Bank support); (c) the launching of the national fluid treatment and wastewater purification program in 2005; (d) the launching of the national household and related waste management program in 2006; the launching of the national program for environmental upgrading of rural schools in 2006; and (e) the creation of the National Environment Fund.

2.4.15 **Participation:** Associations are key players in Moroccan society, covering several socio-economic domains. Through their dynamism, they contribute to the definition of government policy and its implementation on the field. Hence, in the crucial domain of poverty reduction, NGOs have become indispensable partners of State bodies such as the Social Development Agency or National Mutual Assistance which implement government policies in marginalized areas.

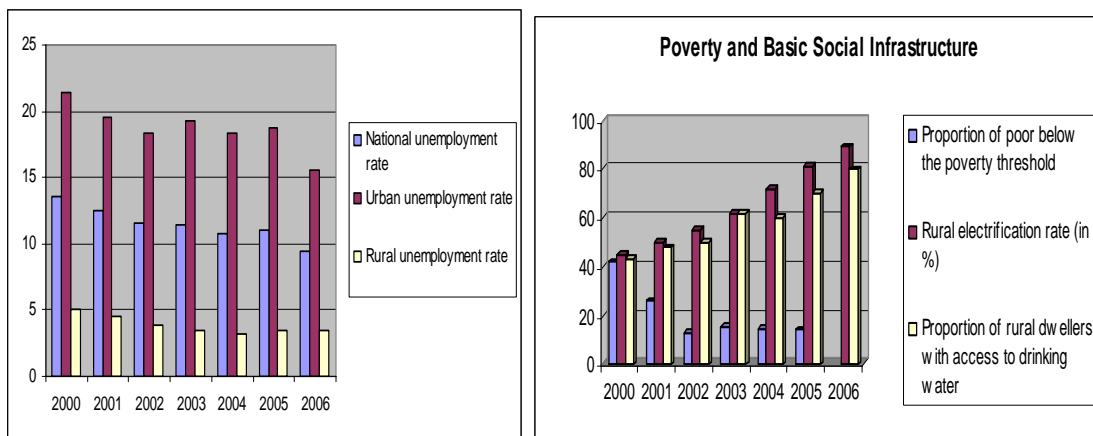
2.4.16 In a bid to enhance the efficacy and coherence of its cooperation with associations, the Government recently instituted a legal framework that enables it to sign partnership agreements with NGOs intervening in areas of public interest. As part of its grassroots policy, the Government hopes to use this partnership approach to establish new relations with local partners (local councils, associations, private sector) in order to boost their capabilities, build leverage and synergy and provide community-based solutions to the people's needs. Associations that receive State financing are under strict liability to perform under a contract arrangement.

2.5 Poverty and Social Context Issues

2.5.1 Despite the progress made and the substantial resources devoted to combating poverty and social inequalities, Morocco's social indicators remain low in relation to its income level. The Government devoted 55.7% of the State budget in 2005 (compared to 41% in 1992) to social development. Following the implementation of the poverty reduction strategy, notably the launching of the social priorities program for the 14 poorest provinces and the implementation of sectoral programs³, poverty declined substantially. From 1985 to 2004, extreme poverty fell from 12.5% to 7.7%, relative poverty plummeted from 21% to 14.2%, while vulnerability declined from 24.1% to 17.3%. Social exclusion fell from 71.4% in 1999 to 69% in 2004. A review of the MDG (Millennium Development Goals) implementation process shows that there is a high probability for Morocco to attain the poverty-reduction MDG by 2015.

2.5.2 Morocco's rural areas are most hard-hit by poverty. In 2004, 22% of the rural population was living in relative poverty, compared to 9.6% of the urban population. The high degree of poverty in rural areas can be attributed to the negative impact of successive droughts over the last ten years and their relatively low economic growth rate. However, pockets of poverty have developed on the peripheries of major cities like Casablanca. Poverty-generated social exclusion remains an urban social phenomenon.

Graph 4: Social Indicators I



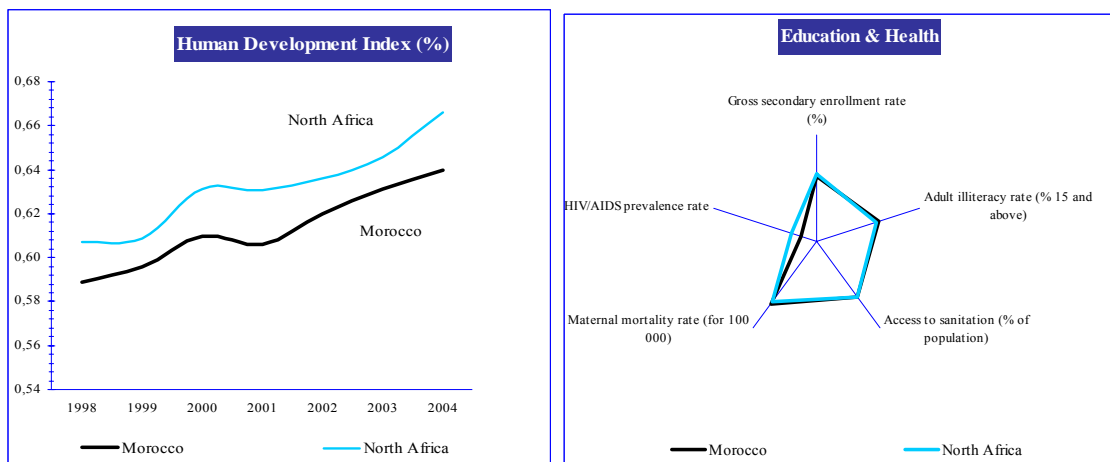
2.5.3 Morocco made substantial and encouraging progress in certain social indicators such as the rural electrification rate, the rural potable water access rate and the net primary enrolment ratio. The rural electrification rate surged from 19% in 1992 to 89% in 2005. Thanks to the performance of the PAGER project, the ratio of the population with access to potable water networks in rural areas jumped from 17% in 1992 to 80% in 2005. The enrolment ratio of 6-year olds surged from

³ Community Drinking Water Supply Program in Rural Areas (PAGER); Rural Electrification Program (PERG); and the National Rural Roads Plan (PNRR).

76% in 1999-2000 to 92% in 2005-2006. There is also a slow but positive evolution in the health status indices of the population. Life expectancy at birth rose to 70.3 years in 2004 compared 65 years in 1987. The infant mortality rate (under-fives, per 1000 live births) declined considerably from 57 in 1987-1991 to 40 in 2004, due to improved health services and especially immunization campaigns.

2.5.4 However, a lot remains to be done with regard to the following social indicators: the literacy rate (39% in 2006), ratio of unsanitary housing (40% in 2004) and number of persons per basic healthcare establishment (11,895 in 2005). According the 2006 Human Development Report, Morocco which is classified under medium human development countries is ranked 123rd out of 177 countries, in terms of human development index. By way of comparison, African countries with a comparable level of development such as Mauritius, Tunisia, Algeria and Egypt are respectively ranked 63rd, 87th, 102nd and 111th in the same group. However, it should be noted that over the past twenty years, Morocco has been gradually improving its Human Development Index which evolved as follows: 0.478 in 1980, 0.515 in 1985, 0.548 in 1990, 0.579 in 1995, 0.610 in 2000, 0.631 in 2003 and 0.640 in 2004.

Graph 5: Social indicators II



Sources: Moroccan authorities, UNDP and ADB

2.6 Medium-term Economic Outlook and External Environment

2.6.1 **Constraints:** Morocco is a country with enormous development potential in terms of: the diversified supply of tourism, agriculture and fisheries sectors; the know-how of its manufacturing industry (textile, information and communication technology); its proximity to European markets; cheap labor; its enormous national savings; the youthfulness and size of its labor force, etc.... However, there are numerous constraints at various levels that prevent the Moroccan economy from fully realizing its growth potential. The main constraints include: (a) the excessive dependence of growth on meteorological conditions; (b) the low competitiveness of Moroccan enterprises; and (c) low labor qualification.

2.6.2 **Strong dependence of growth on meteorological conditions:** Climatic factors have had a major negative impact on the performance of the strategic agricultural sector and consequently on the country's economic growth rate trends, partly because of the fragile nature of cereals which

constitute the main crop in Moroccan agriculture. Over the years, droughts have become a recurrent phenomenon in Morocco. While this impact has been relatively mitigated over the last five years, it still remains a crucial factor in the country's economic development. For example, the 2005 economic growth rate estimates were scaled down (from 3% to 1.7%) mainly because of the negative impact of the drought that hit the country.

2.6.3 *Low Competitiveness of Moroccan Enterprises:* This is the combined result of several factors, namely: the limited financial and technological development of small and medium-sized enterprises, the ill-adapted management methods of entrepreneurs, obsolete corporate information systems, low staff-management ratios in SMEs, limited and insufficient supply of infrastructure services (transport, electricity and water).

2.6.4 *Low Labor Qualification:* In 2003, 70.6% of the workers in Morocco had no certificate and only 13.3% had undergone second cycle basic education. In 2004, 54.3% of the employed labor force was illiterate. This whole situation is a major constraint that makes it difficult to attract the skill-intensive and technology-intensive activities that abound in the world economy.

2.6.5 *Medium-term Economic Outlook:* Morocco's medium-term economic outlook for 2007-2011 indicates that there would be a continuation of the positive growth cycle it has enjoyed over the past 5 or more years. The country has the necessary potential to generate sustainable growth that can create massive employment in order to reduce unemployment and poverty. This promising outlook relates to: (i) the consolidation of macroeconomic stability and the main aggregates; (ii) the gradual adjustment of the public finance situation; (iii) the acceleration of structural reforms; (iv) the acceleration and consolidation of structural reforms in the areas of public governance (particularly in public resource management, decentralization and judicial reform), and tax reform; (v) greater involvement of the financial system in the financing of small and medium-sized enterprises; and (vi) improvement and modernization of the management style of SME/SMIs.

2.6.6 The projected economic indicators available augur well for promising macroeconomic and budgetary trends in the medium term. In 2007, Morocco's economy registered the following performance: an economic growth rate of 3.5%; a non-agricultural sector growth rate of 5.2%; a 6.8% decline in primary-sector value-added; a value-added of about 4.4% for manufacturing industries; a mining sector growth rate of about 7.2%; an energy sector growth rate of about 7.4%; a tertiary sector growth rate of 6% fuelled by real value-added growth of 7.8% in the tourism sector and 7.3% in the transport and communication sector. With the continuation of the structural reforms initiated, reinforcement of budget adjustment, boosting of corporate competitiveness, consolidation of the financial system, pursuit of major infrastructure and social housing projects, the macroeconomic framework will register an annual average growth rate of 4.92% in the medium term, which is slightly higher than the levels of the last five years. The non-agricultural real GDP growth rate will stand at an annual average of 5.52%, driven mainly by the tourism and construction sectors. This indicator has risen over the last five years at an average growth rate of 4.26%. The pursuit of strong growth in this sector is a positive element that should help to curb the overall volatility of growth in the medium term. If the business environment improvement process is pursued, notably with continued implementation of structural reforms (administration reform, judicial reform, fiscal reform, trade liberalization, financial sector reform) and implementation of the Emergence Plan, the investment rate could continue rising to stand at 26.8% by 2008 while inflation stands at about 2.5%, on average.

2.6.7 The external accounts situation, in the medium-term, would be characterized by a rise in remittances from Moroccans residing abroad and an improvement in tourism revenue (notably following the pursuit of air transport reform). In 2005, passenger revenue grew at a rate of 17.7% which is well above MRA remittances (8.9%). If the air transport liberalization policy is pursued,

passenger revenue could grow at a faster rate in the medium term. However, given the persistence, and even slight increase, of the trade deficit due to the sharp rise in imported energy products and capital goods, there will be a notable decline in the current account surplus. Meanwhile, net foreign assets will remain at a comfortable level of about 9 import months. The total budget deficit, net of privatization revenue, would stand at about 3.5% of GDP in 2009 compared to 4.4% in 2004. This performance would partly stem from the implementation of PARAP I, II and III, and the application of tax reform.

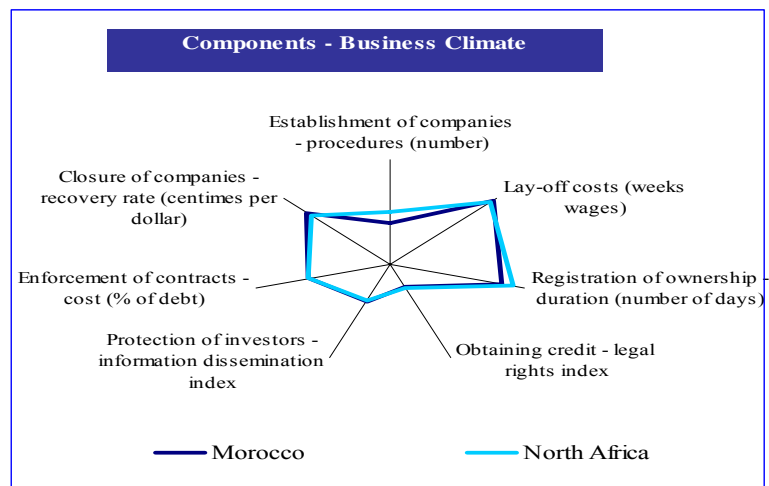
2.6.8 Owing to the public finance restructuring efforts that will continue to be made in the medium term, notably through public administration and tax reform, the public debt will start declining again and remain sustainable at about 64% of GDP in 2009. With regard to external debt trends, available projections show that if the active debt management policy is continued, the ratio of the external public debt to GDP could stand at about 22% in 2009 compared to 25.3% in 2005.

2.7 Business Environment and Private Sector Issues

2.7.1 Private sector contribution to GDP was estimated at 82.8 % in 2005. The sectoral breakdown is as follows: (i) 2.4% for the primary sector, (ii) 30.9% for the secondary sector, and (iii) 39.5% for the tertiary sector. SMEs are the backbone of the economy. About 95% of SMEs account for about 40% of industrial production, generate close to $\frac{1}{3}$ of industrial GDP, contribute up to 30% of industrial exports and employ more than 45% of the total workforce. More than $\frac{2}{3}$ of the industrial GDP is generated by five branches of industry, namely food industries (22%), chemical industries (13%), clothing and fur industry (12%), non-metallic mineral products industry (11%), and tobacco industry (9%).

2.7.2 Very early on, Morocco had made policy and economic choices that place the private sector at the center of its development strategy. The Government launched several initiatives to boost the country's attractiveness, notably that of SMEs and young entrepreneurs, to national and foreign investors. It initiated major reforms and provided the appropriate institutional framework, measures and mechanisms. Hence, major public-private partnership projects were launched, notably the ambitious tourism development plan to receive 10 million tourists by 2010 and the industrial and infrastructure development plan for the Tanger Tétouan region. The kingpin of the Government's private sector development plan is the Emergence Program. This plan proposes a strategy focused on exports and supported by two pillars: (a) the specific targeting of seven competitiveness poles that constitute Morocco's future global industrial activities and (b) the modernization and improvement of the existing industrial fabric. To enable the country to take advantage of the new investment opportunities, there is need to continue with these reforms, encourage the emergence of an adequate macroeconomic framework and an enabling business environment. Studies conducted on the competitiveness of the Moroccan manufacturing sector actually indicate that a certain number of factors continue to undermine the performance of Moroccan enterprises such as limited access to capital, high labor costs, low labor qualification, regulatory bottlenecks, no export diversification, obsolete manufacturing processes and limited attention to technological progress by Moroccan enterprises.

2.7.3 The market access opportunities offered to Morocco through free trade agreements can increase foreign direct investment (FDI). However, any rise in such investment is directly predicated on the improvement of the business environment. Morocco initiated a certain number of adjustment



measures, in particular the setting-up of Regional Investment Centers (RIC). These RICs will make it possible to streamline investment procedures and promote land reform through decentralization of decision-making to regional authorities. The judicial system is an important area that requires special attention. Morocco's judicial system was reformed over the last few years. Commercial courts were set up in accordance with a law passed in 1997 and Morocco receives technical assistance support to its Ministry of Justice and the commercial courts whose administrative procedures were improved.

2.7.4 Restricted access to financial resources undermines private sector growth. The venture capital of commercial banks is not adapted to the needs of local enterprises, especially SMEs. The national cost of capital is high and lendable funds are scarce. The business risks are particularly high for SMEs and require substantial guarantees and other forms of collateral. Hence, small enterprises are automatically excluded from the market. The ongoing review of laws governing microfinance could result in an appropriate framework for the expansion of SME financing programs. It should make it possible to develop new financial instruments that are better adapted to the SME sector consolidation goals.

2.7.5 The privatization program launched in Morocco in the early 1990s continued in 2004 with the transfer of the remaining segments (such as the two segments in Itissalat Al Maghrib and SOMACA), and the privatization of other units such as Banque CIH and the 4 sugar companies acquired in 2005 by the Moroccan private group ONA via its subsidiary COSUMAR. Lastly, current operations include DRAPOR, a harbor dredging company, which is a subsidiary of *Société d'Exploitation des Ports* (SODEP) and COMANAV, a public maritime transport company with a total balance sheet of MAD 2.4 billion. The Finance Law for 2007 provides for revenue estimates of MAD 4.5 billion, constituted mainly of revenue from the privatization of an additional segment of the company Itissalat Al-Maghrib, and the sale of State shares in COMANAV and BIOPHARMA.

3. NATIONAL DEVELOPMENT AGENDA AND MEDIUM-TERM PROSPECTS

3.1 Key Elements of the Government's Development Agenda

3.1.1 The key elements of the Government's Development Agenda were presented to the House of Representatives on 21 November 2002. The general objectives of Government action are: the improvement of the economic and social condition of citizens and the enhancement of Morocco's position on the political scene and in the world economy. Hence, **the Government's agenda focuses on four key areas, namely: (i) promoting the rule of law and modernizing public administration; (ii) consolidating and modernizing major infrastructure and superstructure networks; (iii) improving the national economic fabric, supporting Moroccan enterprises and preparing them to face competition as well as modernizing production methods and tools; and (iv) rapidly reducing social inequalities by implementing the grassroots policy (i.e. the policy to reduce poverty and social disparities)...**

3.1.2 **Promotion of the rule of law, consolidation of democracy and modernization of public administration:** The Government's objective here is to modernize public governance by reorienting the State towards its traditional functions of organization, coordination and encouragement, so that it can create an enabling political, economic, social and legal environment that will ensure economic and social development, attracting investments and guarantee the stability of transactions.

3.1.3 Reinforcement and modernization of major infrastructure and superstructure networks: In a bid to take up the challenge of globalization and competitiveness, Morocco took the strategic decision of joining several free trade areas. To enforce this decision which is aimed at preparing the national economy to face international competition and attracting more national and foreign investment, it became necessary to implement, *inter alia*, a policy of broad-based infrastructure network consolidation. The objective here is two-fold, namely: (a) to expand the transport network to the economic basins and major commercial destinations within and outside the country, and (b) speed up the pace of infrastructure development to enable timely integration of the national economy into the various free trade areas. The priority areas of intervention in this domain are: highways, roads, railways, maritime and air transport, the port and airport network and water management infrastructure (dams, potable water supply, wastewater collection and purification).

3.1.4 Improvement of the national economic fabric and support of Moroccan enterprises: To ensure better integration into the world economy and enable the private sector to fully play its role as the engine of development, the Government decided to boost the productive sector and especially Moroccan enterprises. The objective is to set up a network of efficient and competitive national enterprises that can withstand the challenge of market openness and international competition and help to raise investment and economic growth levels.

3.1.5 Rapid reduction of social disparities through implementation of the grassroots policy: Despite sustained Government efforts, there is still much social inequality although the situation is steadily improving on the whole. Confronted with the sheer scope of poverty and marginalization, the Government implemented a poverty control policy (known as the grassroots policy) aimed at improving the living conditions of the people by promoting access to basic infrastructure and social services, and the socio-economic development of marginalized areas through the consolidation of human capital (literacy, non-formal education, training) and the creation of income-generating activities.

3.1.6 The National Human Development Initiative: On 18 May 2005, Moroccan authorities enriched the social component of the Government's agenda by launching the National Human Development Initiative (NHDI). This initiative which boosted the combat against poverty and social exclusion is unique because it targets given geographical areas and the poorest social groups through a participatory approach that involves the people in order to promote greater ownership and viability of projects and interventions.

3.1.7 The NHDI, whose total cost is evaluated at MAD 10 billion over 2006-2010, is structured into four priority programs: territorial programs (combating rural poverty and urban social exclusion) and programs targeting all provinces and prefectures (elimination of social insecurity and the cross-cutting program):

- The rural poverty reduction program targets 403 of the poorest rural communes (with a poverty rate of over 30%), representing 3.75 million inhabitants.
- The program to combat social exclusion in urban areas targets in priority 264 urban neighborhoods, or 2.5 million inhabitants, who are marginalized as a result of urban population density and extreme housing conditions.
- The elimination of social insecurity is aimed at encouraging family reintegration for marginalized and highly vulnerable individuals, improving the quality of services provided by specialized centers and creating extra intake capacity for 50,000 individuals.

- The cross-cutting program is destined for actions that have a significant impact on human development, notably in untargeted rural areas and urban neighborhoods and this is done through a call for projects.

3.2 Assessment of the Implementation Status of the Agenda

3.2.1 For the Bank, the development agenda implemented by the Government since November 2002 is coherent and relevant, in view of the constraints and the areas with potential for developing robust and sustainable growth. On the whole, the implementation of this program enabled Morocco to record substantially better economic performance than during the period preceding 2002. As clearly illustrated in the annexed table of main macroeconomic indicators, the Government has registered excellent macroeconomic performance since 2002. In the social domain, despite the progress made, social disparities remain considerable as compared to the country's potential and to countries with the same level of development (see Section 2.5).

3.2.2 On the whole, despite the persistence of certain vulnerabilities, Morocco's short- and medium-term economic outlook is promising. To lay the foundation for sustained progress in the poverty and unemployment control drive, Morocco needs to liberate its growth potential notably by speeding up the structural reforms initiated.

3.3 Partnership Framework

3.3.1 The main strategic goals of the Government's Development Agenda are endorsed by a broad consensus from the majority of Morocco's development partners, which has translated into massive and constant support over the past few years. As indicated in Table 1, development partners have a relatively broad scope of intervention, although they neither share the same areas of interest nor have the same intervention capacity.

3.3.2 The partnership framework of Morocco, as a middle-income country, is characterized by the presence of many partners who provide the country with substantial concessional resources. These are bilateral funds, Arab funds, certain UN institutions, the Islamic Development Bank and the European Union. As part of commitments under its Partnership Agreement with Morocco, the European in particular has developed a great project financing capacity for the country with concessional resources. This whole situation has had such a major impact that donors (like the World Bank) who do not propose non-concessional resources for the financing of projects and programs in Morocco are relatively crowded out of the agricultural sector, rural development, the social sectors (health and education) and poverty-reduction activities.

3.3.3 This situation notwithstanding, cooperation between the various partners is satisfactory and particularly strong as regards supporting the structural reforms implemented in the country. All the structural reforms supported by the Bank under the last CSP were co-financed with other partners. Hence, the Bank co-financed the water sector adjustment program and the transport sector reform program with the European Union, and the public administration reform support program with the World Bank and the European Union. All these joint interventions were conducted as budget support. This approach of joint and complementary support to structural reforms, encouraged by the Government, is largely shared by development partners.

3.4 Challenges and Risks

3.4.1 Challenges: Morocco faces three main challenges, namely: (a) generating robust, sustainable and job-creating growth in the context of a rapidly growing labor force; (b) substantially curbing unemployment and poverty in order to preserve social cohesion and peace; and (c) successfully integrating a competitive Moroccan economy into the world economy, under the leadership of a modern private sector that is geared towards exports. The abovementioned Government development agenda is aimed at preparing the Moroccan economy and society to take up these three major challenges. However, when viewed against these challenges, the Government agenda presents the relative shortcoming of not being part of a medium-term programming framework that is systematically accompanied by strategic action plans for the various sectors or priority domains. This situation does not facilitate the monitoring and evaluation of progress made. The Government has already initiated a reflection on how to design its main sectoral plans of action as part of a medium-term program. There are also plans to institute a medium term expenditure frame work from 2008.

3.4.2 Risks: In implementing its agenda, the Government faces bottlenecks in the modernization of small and medium-sized enterprises which are the engines of private sector development. Given that Morocco has signed many partnership and free trade agreements, this situation is potentially very risky for the country because local enterprises, particularly SME/SMIs, may not be sufficiently prepared to face competition at the time these various agreements become effective. If this were to happen, the result would be a disruption of the economic fabric that will generate enormous social consequences. To mitigate this risk, the Government is conducting a resolute policy for enterprises by setting up several sectoral support funds, the biggest of which is the Enterprise Modernization Fund (FOMAN). Morocco's external partners also contribute to the SME/SMI modernization process by establishing several facilities and credit lines.

3.4.3 In the area of poverty reduction and given the acute nature of the situation, the efficiency of Government action could be undermined by insufficient synergy of actions resulting from the lack of coordination between the various poverty-reduction structures and services and from inefficient public spending. Recognizing this risk, the Government has started developing a more integrated approach to poverty reduction (notably with NHDI) and speeding up the process for improving the efficiency of public administration and especially public spending. Improving the efficiency and impact of the Government's social actions requires the optimization and pooling of resources raised to that end, the integration and harmonization of various programs and the rallying of all stakeholders to an inter-sectoral and multi-partner territorial approach.

Table 1 Morocco – Donor interventions by sector, 2001-2006 (in US\$ million)

Donors Sector	EIB	German Coop.	Belgian Coop.	Japanese Coop.	JBIC	UNDP	EU	IsDB	KFW	WB	WHO	USAID	UNESCO	UNICEF	British Coop.	Italian Coop.	AFD	ADB	Total	
Agriculture			4.807	15.524			149.681			26.800						3.494			200.306	
Tourism										2.200						0.970			3.170	
Industry																			0.000	
Environment	25.090	10.290				22.713	13.718		7.680		0.062	6.400			0.006			74.016	159.974	
Transport	444.090		3.607	255.171	296.572		356.905	212.717		96.860						103.496		398.680	2 168.099	
Water and sanitation	200.720	7.870	29.101	39.544	88.837		277.593	90.879	169.450	92.893						5.896	116.041	454.756	1 573.580	
Energy	413.990			105.508	50.147			237.651	139.270	0.750									271.537	1 218.853
Communications													0.265	0.707	0.019			125.450	126.441	
Finance	62.730						165.594	0.323		200.000					0.028			172.494	601.169	
Education			6.319	77.974	74.777		175.630	5.445			0.300	26.900	6.027	2.636	0.029	3.485		136.113	515.635	
Health	87.820		0.423	18.588			87.815				6.648	10.100		2.380	0.017			137.995	351.786	
Social	126.700					9.672	134.257			238.619	0.158			5.700	0.028	1.905	451.745		968.784	
Housing																102.869			102.869	
Multi-sector			1.144					0.421										151.795	153.360	
Governance			1.753			8.319	313.955			225.966					2.628	3.160			555.780	
Gender						0.178													0.178	
Others		24.810	8.405	10.177		1.143	109.581			114.619		62.800	1.143	1.503	0.185	26.370	37.635		398.370	
Total	1 361.140	42.970	55.559	522.485	510.333	42.024	1 784.728	547.436	316.400	998.707	7.168	106.200	7.435	12.926	2.940	251.645	605.422	1 922.835	9 098.353	
	14.96%	0.47%	0.61%	5.74%	5.61%	0.46%	19.62%	6.02%	3.48%	10.98%	0.08%	1.17%	0.08%	0.14%	0.03%	2.77%	6.65%	21.13%	100%	

4. BANK GROUP COUNTRY ASSISTANCE STRATEGY

4.1 Country Context and Strategic Selectivity

4.1.1 Morocco's current context is characterized by the expiry in 2007 of the term of office of the Government which prepared the abovementioned agenda that has been implemented since 2002.

4.1.2 The selection of strategic areas that should constitute the pillars of Morocco's 2007-2011 CSP was based on the **following four criteria: (i) alignment on the main priorities of the country's National Development Agenda; (ii) increased Bank intervention in activities in which it has a proven comparative advantage and which have a huge developmental impact and major structuring effects on the whole economy; (iii) increased harmonization of donor interventions and national ownership of reforms; and (iv) support to efforts aimed at reducing poverty and facilitating attainment of certain Millennium Development Goals.** The application of these four criteria made it possible to identify **the following three pillars for Morocco's CSP for 2007-2011: (a) Improvement of the governance system (b) Development and improvement of economic infrastructures; and (c) Promotion of human development.** These three pillars will enable the Government to address the three major challenges facing Morocco (insufficient economic growth, unemployment and poverty, low economic productivity and competitiveness). The Bank will also concentrate all its activities in Morocco on these three pillars so as to help generate economic growth that is robust, sustainable and capable of substantially reducing unemployment and poverty. The three main strategic goals pursued by the Bank's assistance strategy through these three pillars are: (i) the improvement of the business environment, ii) the boosting of economic productivity and competitiveness; and (iii) contribution to the reduction of social disparities, especially in rural areas.

4.2 Portfolio Management and Lessons Learnt from Previous CSP

4.2.1 Assistance Strategy Implementation Results: In implementing its assistance strategy for 2003-2006⁴, the Bank approved nine operations comprising four reform programs and five investment projects amounting to a total of about UA 962.36 million. The four reform programs enabled the Bank to support the Government in the areas of: public administration reform, modernization of the regulatory and institutional framework of the water sector, and restructuring and modernization of the regulatory and institutional framework of the transport sector. The Bank supported infrastructure modernization through the four investment projects. The fifth investment project was an environmental project financed for the private sector.

4.2.2 Judging from the results obtained after four years of implementation of the assistance strategy, the baseline scenario proposed has attained its objectives on the whole. During that period, Morocco's portfolio was renewed with large-scale projects, in keeping with CSP guidelines and aligned on Government priorities. During the period under consideration the Bank became Morocco's leading donor.

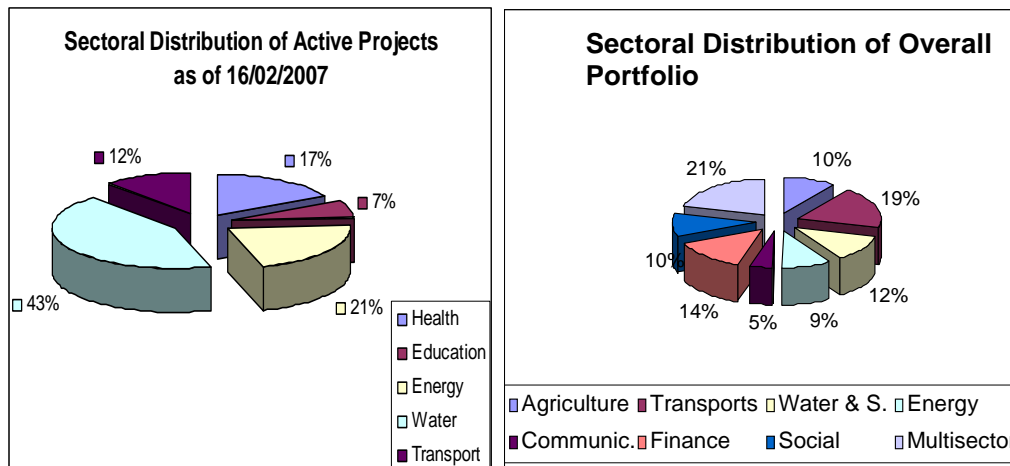
⁴ The priority areas of this strategy were: (i) support to macro-economic and sectoral reforms, including assistance in improving the efficiency of public services, (ii) infrastructure support/reinforcement, and (iii) assistance in the development of Moroccan enterprises. This strategy laid special emphasis on supporting the structural reforms initiated by the Government.

4.2.3 Lessons Learnt: Implementation of the assistance strategy experienced shortcomings in the areas of private sector development assistance and the financing of non-lending activities. As concerns support to Moroccan private sector activities, the products proposed by the Bank are not as competitive as those offered on the local market. The Bank will take a closer look at the financing constraints it encounters in Morocco. The current presence of an ADB country office in Morocco will help in the attainment of this objective.

4.2.4 As concerns the financing of non-lending activities, the results fell short of the set targets. The limited number of operations financed by the Bank under non-lending activities was a major shortcoming in the implementation of the assistance strategy. Although the Government expressed great need for such activities, it was only recently that the Bank had sure and adequate resources to satisfactorily address this needs. However, since the revival of the Technical Assistance Fund for Middle-Income Countries (MIC Fund) in 2005, the situation with regard to studies has started evolving positively. Thanks to the MIC Fund revived in 2005, the Bank was able to award a grant of UC 1.388 million to Morocco in 2006, for the financing of three non-lending activities. These were the financing of technical assistance to the National Health Insurance Agency, technical assistance for modernization of the management of the National Social Insurance Companies' Fund and a study on the institution of a new remuneration system in the Moroccan public service. In the area of studies and technical assistance, three other operations are underway, namely: (i) assistance in statistical capacity-building within the framework of international comparison for Africa; (ii) the sedimentological study of Morocco's ports and coastline; and (iii) the feasibility study of the Marrakech Airport transfer project. Lastly, the Bank is looking for financing for three other studies: (i) the study on the search for a new site for the Tanger-Tétouan airports; (ii) the study on the organization of urban transport in the two pilot cities of Eljadida and Fez; and (iii) the cancer epidemiological study in Morocco.

4.2.5 Portfolio Management Performance: The total amount of loans for the six active projects stood at UA 570.8 million as of 16 February 2006. The disbursement rate of ongoing projects is about 37.26%. This rate is relatively low because of the recent initiation of two projects and the slow disbursements of a reform program. The average age of Bank projects is 3.7 years and their cost is UA 95 million. The portfolio of the Bank's active projects in Morocco includes one problem-ridden project (PARCOUM) and one problematic project (PAS Eau).

⁵ The procedures for raising bilateral resources are too complex for the Bank to satisfactorily respond to demand. Before 2006, the resources of the technical assistance fund for middle-income countries (MIC Fund) were much too limited to satisfy demand.

Graph 7: Situation of the Bank's portfolio in Morocco as of 16/02/2007

4.2.6 Lessons learnt: The following lessons were learnt from portfolio management experience over the past four years. Infrastructure sector operations⁶ and multi-sectoral programs recorded the best overall performance, while education and health sector projects presented the most difficulties in implementation and management. These difficulties stem from the combined effects of the limited institutional capacity of the executing agencies in these sectors and their poor mastery of the Bank's procurement and loan disbursement procedures. In a bid to address the shortcomings of the executing agencies and raise the disbursement levels of these projects the Bank's country office in Morocco (MAFO) put in place an intensive monitoring process by organizing bi-weekly meetings with the Ministry of Finance and the executing agencies, and establishing direct contact with regional implementation units in order to collect procurement data and contract documents on decentralized works and key them into the SAP project management system. Moreover, a meeting to review all the Bank's operations is co-organized every quarter by the Ministry of Finance and MAFO. Over the last few years, some problems were also observed in the fulfillment of loan conditions for certain reform programs. These problems revealed the need to pay special attention to the number and feasibility (within the set timeframe) of the conditions jointly agreed upon with the Government for disbursement of loan tranches.

4.3 CSP Results Framework

4.3.1 The CSP results framework, as a planning and management tool, makes it possible to establish logical relationships between products, outcomes and the strategic development goals pursued within the CSP framework. The Government's strategic goals were presented in Section 3.1. As shown in Tableau 2, the Bank's priority areas of intervention for 2007-2011 were identified on the basis of their relevance to the long-term results expected by Morocco. However, since there has been no official confirmation of the operations that may be financed by the Bank in under its assistance strategy, it was not possible to prepare a complete list of expected outcomes that makes it possible to establish a causal link between such outcomes and the strategic development goals. It stems from the foregoing that in Table 2 on the CSP strategic results framework, identification of the expected outcomes for CSP 2007-2011 was limited (by way of illustration) to a few lending activities confirmed for 2007

⁶ Excluding 2 reform programs: *PAS Eau* and the Information Infrastructure Development Support Program (PADSII).

alone. **Right up to the CSP mid-term review in 2008, the Bank's current assistance strategy for Morocco will focus solely on: structural reforms, the infrastructures sector (transport, energy, water), rural development, the health sector and the private sector. After the CSP mid-term review in 2008, the results framework shall be updated and enriched with the guidelines and priority areas from the Government's new development agenda to be released after the legislative elections of September 2007, the lessons learnt from the first phase of the assistance strategy implementation and the new intervention areas retained by mutual agreement with Moroccan authorities.**

4.3.2 Apart from the new projects that shall be approved by the Bank between 2007 and 2011, many projects approved before 2007 will equally influence the CSP 2007-2011 results framework in sectors that relate to the three pillars retained.

4.4 CSP Pillars and Focus Areas

4.4.1 As indicated in Paragraph 4.3.1, the foundation stones of the Bank's 2007-2011 assistance strategy for Morocco will be the following three pillars: (a) Improvement of the governance system; (b) Development and enhancement of economic infrastructure⁷ and enterprises; and (c) Promotion of human development. Grounded on these three pillars, the Bank's assistance strategy in Morocco will be oriented towards the pursuit of three strategic goals as follows: (a) First strategic goal: help to improve the efficiency, effectiveness and attractiveness of the Moroccan economy; (b) Second strategic goal: boost the competitiveness of the Moroccan economy through infrastructure extension and improvement; (c) Third strategic goal: improve community access to basic social services in disadvantaged areas, especially rural areas, in order to help the country attain some of the Millennium Development Goals.

4.4.2 **Pillar I: Improvement of the Governance system.** The governance problem is at the core of the Government's agenda implementation. The efficiency of the Government and the administration in managing the public sector and conducting structural reforms determines the quality and effectiveness of economic development. Hence, the Bank's assistance strategy focuses on improving the efficiency and efficacy of State actions by supporting the consolidation of the governance system. This CSP pillar is in line with the first focus area of the Government agenda which is aimed at modernizing public governance (See Paragraphs 3.1.1 and 3.1.2).

4.4.3 The Government's goals in improving public governance are to: consolidate the macroeconomic framework, improve public administration efficiency and revived private investment. The Bank, World Bank and the European Union will continue their joint support to Phase III of the Public Administration Reform Support Program (PARAP III) in order to help the Government attain these goals.

4.4.4 **Consolidation of the Macroeconomic Framework:** Morocco currently enjoys a sound macroeconomic situation. However, the current excellent macroeconomic conditions may deteriorate in the medium term because of the persistent budget deficit in 2006. If it is not adjusted gradually, the current budget position could be untenable in the medium term. Moreover, during the CSP period, the Government will create the right environment for

⁷ The Bank's interventions in the infrastructure sector will continue with full protection of Morocco's natural resources.

consolidation of macroeconomic conditions with the backing of the three donors that will support PARAP III. Since the public deficit is mainly generated by a burgeoning wage bill, PARAP III will step up actions to bring down the wage bill to 11.5% by 2008. With this rate, Morocco hopes to scale back its budget deficit to about 3% by 2009.

4.4.5 Improvement of Public Administration Efficacy: The Moroccan government has taken bold measures and mobilized enormous resources to implement numerous structural reforms and reduce social disparities. However, the pace of implementation of these efforts is generally slow⁸. The shortcomings responsible for the inefficiency of the Moroccan administration have been well documented in the study that formed the basis for preparing PARAP. They include: complex administrative processes and procedures, administrative bottlenecks and bureaucracy, an unwieldy decision-making process, and chaotic management of human resources. Through its assistance to PARAP III, the Bank will continue to support Government measures aimed at improving administration efficiency through public service reform, the application of a deconcentration and decentralization policy and the institution of results-based management.

4.4.6 Revival of Private Investment: A substantial increase in private investment is one of the prerequisites for achieving the robust and sustainable annual growth of 6% needed to substantially reduce unemployment and poverty in Morocco. The Bank's support to PARAP III will give it an opportunity to help the Government create a business environment that will enable the private sector to play its rightful key role of promoting sustainable and lasting growth. Hence, the Bank also hopes to eventually support tax reform and financial system reform. The objective here is to raise the investment rate to about 26.5% by 2010 compared to 24.6% in 2004.

4.4.7 Pillar II: Development and Modernization of Economic Infrastructure and Enterprises: In a bid to tackle the major challenges it faces, Morocco has taken the bold step of making a competitive entrance into the world economy and improving the competitiveness of its enterprises. One of its ideal strategies for integrating the world economy is to join several free trade areas. Moreover, to consolidate Morocco's standing in the world economy, boost its competitiveness and raise it to international standards, the Government retained the reinforcement and modernization of major infrastructure networks in a context of transport liberalization as a policy priority. Good quality basic infrastructure and competitive enterprises are instrumental in attracting private investment for a country like Morocco that wishes to take advantage of one of its major comparative advantages, which is its proximity to the European market, and support the economic activity of its strategic sectors (industry, tourism, agriculture).

4.4.8 Hence, Pillar II of the Bank's assistance strategy is in line with the second focus area of the Government's policy (see Paragraphs 3.1.1 and 3.1.3). The main goals pursued through this pillar are to: (a) help to boost the competitiveness of the transport, energy and water sectors by cutting costs, phasing in liberalization and upgrading the skills of various stakeholders; and (b) help to boost the competitiveness of enterprises. In spite of the Government's efforts in this area, there is still the problem of inadequate and insufficient services in the infrastructure sector and the limited competitiveness of Moroccan enterprises.

⁸ The relatively slow pace of implementation of certain sectoral reforms supported with Bank loans in Morocco is an example (PARCOUM, PADSII, Water SAP)

The cost of basic production factors (transport, energy, water) remains a constraint. In the study that led to the Emergence Plan, the constraints identified in the diagnosis of industrial performance included: high energy costs, limited supply of sophisticated telecommunications services and poor logistics in linking up with Europe. Infrastructure development appeared to be one of the preconditions for ensuring the success of the Emergence Plan.

4.4.9 The Bank's real comparative advantage in Morocco is in the infrastructure, considering the sheer number and quality of operations it has financed in that sector. It is equally the sector in which Bank-funded operations performed best. Hence, through Pillar II, the Bank seeks to consolidate and extend its operations in the strategic area of infrastructure which was already a priority under the previous assistance strategy. In road construction, for example, where the Government has decided to triple the pace of construction from 50 to 160 km per year in 2006-2010, the Bank will continue its interventions in order to contribute to the goal of transforming Morocco into an investment and trading platform between Europe, the rest of Africa and America.

4.4.10 To help boost the competitiveness of Moroccan enterprises, the Bank will support the attainment of the sectoral reform program goals, by financing activities that should help to improve the business environment. Its action will particularly focus on the reinforcement of the judicial system and reform of regulatory texts on better involvement of the private sector in investment and management of basic infrastructure. At the same time, the Bank will lend its financial and technical support to the SME sector by developing special programs, especially in the area of franchise and supporting the extension of microfinance activities to SMEs which cannot have access to commercial banks under the current conditions. The bank will play an active role in promoting corporate good governance, through special programs that particularly target the financial sector, in order to transform it into an active vehicle for the adoption of good practices by the private sector, in particular SMEs. The strategy will lay emphasis on strategic and enhanced cooperation with the other development partners.

4.4.11 **Pillar III: Promotion of Human Development:** The promotion of human development substantially boosts productivity and consequently the competitiveness of the economy. In Morocco's context, characterized by limited access to basic social services for the poor, very high levels of illiteracy, high unemployment for graduates and poverty in rural areas, the building and employment of quality human capacity is crucial to generating the kind of robust and sustainable growth needed to curb poverty and exclusion. The promotion of human development is also crucial to the preservation of social peace, which is an essential component of an enabling environment for private sector development in Morocco.

4.4.12 Under Pillar III, the Bank will help to improve the quality of human capital by promoting greater access to basic social services for the poor, in particular in rural development (road construction, drinking water distribution and purification in rural areas), the social sector (health) and under the National Human Development Initiative. Hence, by supporting the activities under this pillar, the Bank aims to help reduce social disparities in general and enable the Moroccan government to gradually attain some of the millennium development goals. This pillar is in keeping with the Government's third policy thrust (see Paragraphs 3.1.1, 3.1.5 and 3.1.6).

4.4.13. In the area of rural development, the Bank's aim is to help improve on the living conditions of rural communities by financing rural road construction projects, after having supported a PWS project in rural areas in 2006. In the social sector, the Bank hopes to

continue its contribution to the reduction of social disparities through an operation aimed at extending the basic health coverage. The Government's goal was to extend the medical coverage from 17% to 34% in Phase I, by enforcing basic compulsory health insurance for public and private sector workers and retirees from August 2005, and raising this rate in Phase II to 80% through institution of compulsory health insurance for the self-employed and members of the liberal professions from November 2006 and the medical assistance scheme for the poor in the course of 2007.

4.4.14 As part of its support to the Government-led poverty reduction drive, the Bank also plans to support the implementation of the NHDI. The Bank shall define the modalities of such support in consultation with the Government and other development partners involved in this operation. The two operations underway in the social sector are in line with Pillar III of the current CSP.

4.4.15 From the foregoing, *the main thrusts of the Bank's assistance strategy for Morocco in 2007-2011 can be summed up as follows: (i) continue support to structural reforms; (ii) consolidate support to the modernization of infrastructure and enterprises; and (iii) support human resource development that is oriented towards the curbing of unemployment and poverty especially in rural areas.* In implementing its assistance strategy, the Bank will further develop synergies of action with Morocco's other development partners, notably by co-financing almost all reform operations with at least one external partner. For investment lending operations, the co-financing option shall be retained on a case-by-case basis or at the request of the Government.

4.5 Regional Dimensions of Bank Group assistance

4.5.1 Given the prospect of a thaw in the inertia currently reigning within AMU, the Bank has taken the initiative of drawing up a Bank Regional Integration Assistance Strategy Paper (RIASP). Adopting a method based on a participatory approach and identification of initiatives that can energize this regional cooperation structure, Bank missions were sent to most AMU member-countries. The RIASP, which is being finalized, is a study paper that reiterates the relevance of integration for Maghreb countries and outlines areas for cooperation between member countries.

4.5.2 During the mid-term review of the current CSP, the Bank shall have the option of including multinational or potential regional integration activities into its intervention program.

4.6 Bank Group Assistance: Lending and Non-lending Scenarios

4.6.1 An analysis of Morocco's risk management framework conducted by the Bank indicates that all the country's exposure ratios fall below the significance threshold, except for the ratio of total debt to exports of goods and services (refer to Annex 10). **In 2005, Morocco was classified among the Bank's low-risk countries on account of its overall good performance in the various components used in the country risk profile analysis (see**

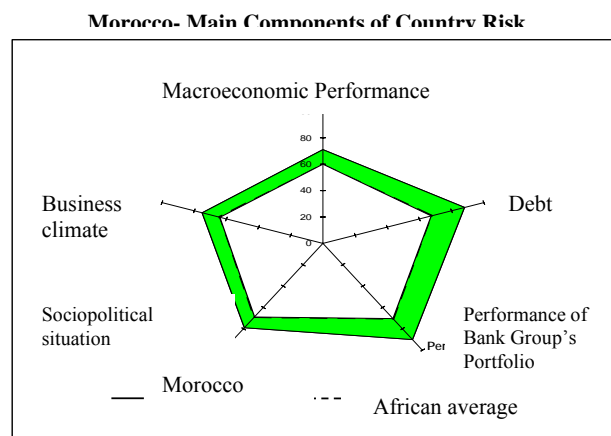


diagram below). Given its position in the Bank's rating and its good performance in the Country Policy and Institutional Assessment (CPIA 2005), the total annual budget retained in 2006 for the financing of reform programs and project loans for 2007-2011, ranges between UA 160 million and UA 331 million. This amount, which is only indicative, shall be reviewed annually in line with the performance benchmarks established by the Bank for the country risk management framework and CPIA.

4.6.2 It should also be noted that on 28 August 2005, the financial rating agency Standard & Poor's (S&P) improved Morocco's rating, raising its public debt rating from BB to BB+. This means that Morocco can henceforth borrow more funds on international financial markets and on better terms. With this rating, Morocco has joined the group that comprises Egypt, Rumania or Macedonia. This improvement in Morocco's rating stems from the Government's strong commitment to implement structural reforms and ensure sound macroeconomic performance in the country, mainly by enhancing the solidity of indicators that relate to the country's external position. (cf. Section 2.2 and 2.3).

4.6.3 **“Reference Scenario”**: Given the improvement in Morocco's country risk levels, its sound economic and social performance, the development potential of the Bank's portfolio and the foreseeable interventions of the other partners, **it is proposed, for CSP 2007-2011, that the “reference scenario”, which is equivalent to the “baseline scenario”, be implemented in accordance with the risk management framework benchmarks.** This scenario has two components: a reform program component and an investment project component.

Table 2 – MOROCCO: Results-based CSP framework, 2007 - 2011

Long-term/high-level outcomes expected by Morocco	Expected CSP outcomes for 2007—2011	Links between the CSP and National Development Agenda (NDA) priorities
PILLAR I: Improvement of the governance system		
Improvement of the efficiency, efficacy and attractiveness of the Moroccan economy	Efficiency, efficacy and attractiveness of the Moroccan economy improved	CSP priorities tally with those of the Government's NDA as concerns: <ul style="list-style-type: none"> - the achievement of robust and sustainable growth driven by public and private investments; - the modernization and improvement of public administration efficiency as well as the improvement of public resource management and modernization of public governance (see Chapter 3)
Consolidation of the macroeconomic framework <ul style="list-style-type: none"> • Control of the wage bill • Sustainable budget deficit • Control of inflation 	Macroeconomic stability consolidated <ul style="list-style-type: none"> • Reduction of the wage bill to 11.5% of GDP by 2010 • Reduction of the budget deficit to 3% by 2009 • Control of inflation (average rate not exceeding 2.5%) 	See Paragraph 3.1.2
Improvement of public administration efficacy <ul style="list-style-type: none"> • Implementation of decentralization • Implementation of results-based budget management • Use of a comprehensive MTEF 	Public administration efficacy improved <ul style="list-style-type: none"> • All ministries adhere to the decentralization plan • Results-based budget management applied by all ministries • All ministries apply the generalization of credits • Preparation of a comprehensive MTEF in 2008/2009 	CSP priorities tally with those of the Government's NDA. See Paragraph 3.1.2
Revival of public and private investment <ul style="list-style-type: none"> • Private sector as the engine of growth 	Increase of the investment rate from 24.6 in 2004 to 25.8% in 2007 and 26.8% in 2010	
PILLAR II: Development and Modernization of Economic Infrastructure		
Reinforcement of the basic infrastructure, competitiveness and productivity of the economy		
Completion of the National Road Reinforcement Plan (SAAN) in 2010.	The Fes-Oujda road project which the Bank intends to finance entails: (i) the construction of a 320 km stretch	This project tallies with the Government's priority goal of consolidating and modernizing basic infrastructure (See Paragraph 3.1.3)
Standardization of Moroccan airbases by modernizing and extending airport intake capacity and aeronautical equipment in order to ensure the security coverage of the Kingdom's entire airspace.	The project covers: (i) the construction of a second air control center (CCR); (ii) consolidation and rehabilitation of the infrastructure of existing airports; and (iii) development of the new airport in Benslimane. It will make possible the certification of the Casablanca and Rabat airports in 2008 and of the rest of Morocco's airports in 2010.	This project tallies with the Government's priority goal of consolidating and modernizing basic infrastructure
Modernization and extension of Morocco's railway network.	The project entails: (i) the procurement of trains and; (ii) the construction of a high-speed train line between Casablanca and Marrakech and/or; (iii) the doubling of the Settat-Marrakech line. The project will help to ease traffic, increase transit speed and reduce the cost of rail transport by 25% in 2008 and 50% in 2010.	This project is in keeping with the Government's priority goal of consolidating and modernizing basic infrastructure (See Paragraph 3.1.3)

Long-term/high-level outcomes expected by Morocco	Expected CSP outcomes for 2007—2011	Links between the CSP and National Development Agenda (NDA) priorities
Building of electricity generating capacity	Increase the total installed capacity from 4,504 MW in 2004 to 6,636 MW in 2012.	This project is in keeping with the Government's priority goal of consolidating and modernizing basic infrastructure.
Diversification of supply sources Consolidate gains (perpetuation, safeguard and consolidation of existing irrigation infrastructure). Correct any dysfunctions noted (conduct of the national water purification program). Contribute to the reinforcement of the basic infrastructure of economic projects (industry and tourism).	Reinforcement, extension and rehabilitation of the potable water supply systems of several cities in the Kingdom. Water purification in several cities of the Kingdom. Potable water supply to several new tourist sites registered under the "Azur Plan" of the Ministry of Tourism and new industrial complexes (Tanger Mediterranean industrial and port complex).	These goals tally with the guidelines of the Government's new policy in the water sector and with the Government's economic and social policies.
Pillar III: Promotion of human development		
Consolidation of basic social facilities in rural areas and poor urban neighborhoods		
Reduce poverty, vulnerability and social exclusion by supporting the NHDI	Significant decline in the number of destitute urban households and very poor rural areas	The Bank's support to the NHDI is in line with the Government's poverty reduction policy
Improve the living conditions and reduce the poverty of rural communities by generalizing the potable water supply.	Increased access to potable water in rural areas (more than 90% in 2010 and an additional rural population of about 4 million inhabitants) Reduction of water-borne diseases by improving health conditions (the annual budget allocated to these diseases by the Ministry of Health stands at €2 million).	The improvement of community living conditions is in perfectly in conformity with the National Human Development Initiative (NHDI) and the Government's grassroots policy.
Reduce poverty by building roads to rural areas under the PNRR2 Program, producing a total of 15,000 km of rural roads.	The Bank's involvement concerns participation in the financing of: (i) road development; and (ii) road construction. The roads to be financed by the Bank shall be specified during the next preparation mission. The project will open up roads into the landlocked regions and marginalized provinces of the Kingdom. It is aimed at raising the access rate for rural communities from 54% in 2005 to 67% in 2010 and 80% in 2015.	The building of roads to rural areas is one of the priority areas of the Government in its drive to combat poverty and reduce social disparities in rural areas. See Paragraph 3.1.5
Improve maternal health especially in rural areas by decentralizing managing of pregnancy and delivery complications.	- Reduction of at least 1/3 of the maternal mortality ratio in the rural and landlocked areas of the Kingdom	There is a link between CSP Pillar III and the Government's policy of achieving the health-related Millennium Development Goals cf. Paragraphs 3.1.5 and 3.1.6
Increase the financial access of the poor to quality healthcare by implementing the Medical Assistance Scheme for the Economically Vulnerable (RAMED)	- A 25% increase in the usage rate of Mother and Child Health / Family Planning Services (MCH/FP) in rural areas	

On the basis of this scenario, the Bank intends to finance structural reform programs (aimed at improving productivity, boosting private investment and efficient resource allocation), as well as investment projects in the infrastructure sector (notably in the transport, water & sanitation and energy sectors) and social sectors (health, rural development). **For the financing of long-term reforms, in cooperation with its more experienced partners in this area, the Bank will use the programming approach as much as possible.** Under this scenario and at the Government's request, a greater share of the resources will be devoted to supporting reform programs during the entire CSP period. **The amount of resources available for financing this scenario is currently UA 228 million per year so long as the performance assessment mark is maintained. This amount could rise above the indicated level, given the agreed flexibility in the treatment of middle-income countries.** It should also be noted that the Bank shall show more flexibility in the extension of its intervention areas for countries like Morocco whose CPIA rating is above 3.75 and whose risk classification is between low and very low.

Graph 9: CPIA – ADB (2005) – Morocco's ranking

First Quintile	First Quintile	First Quintile	First Quintile	First Quintile
Second Quintile	Second Quintile	Second Quintile	Second Quintile	Second Quintile
Third Quintile	Third Quintile	Third Quintile	Third Quintile	Third Quintile
Fourth Quintile	Fourth Quintile	Fourth Quintile	Fourth Quintile	Fourth Quintile
Fifth Quintile	Fifth Quintile	Fifth Quintile	Fifth Quintile	Fifth Quintile
Economic management (Mark: 4.50)	Structural policies (Mark: 4.00)	Social inclusion and equity (Mark: 4.10)	Public and institutional management (Mark: 4.50)	Total mark (Mark: 4.28)

4.6.4 Financial

instruments: Two main financial instruments shall be used by the Bank during the next programming cycle. These are: quick disbursing loans in the form of budget support to finance reform programs and project loans to finance investment projects. Over the last three years, the Bank awarded loans as budget support to Morocco on four occasions. In Morocco's context, characterized by a budget deficit and a current

account surplus, the country's main donors found this financial instrument to be most appropriate for promoting and supporting the reforms initiated and for encouraging national ownership of the said reforms. Given the need to pursue and consolidate structural reforms and in a bid to harmonize financial instruments, the Bank will continue to co-finance reforms through development budget support loans.

4.6.5 **Financing Activities with Non-lending Instruments:** Having learnt from past lessons and with the revival of the assistance fund for middle-income countries, the Bank plans to concentrate on consultancy services and studies, under the present strategy. By increasing its financing capacity, the Bank has played an active and privileged role in the implementation of reform programs since 2002. In a bid to lend greater coherence and authority to its actions in Morocco, the Bank shall initiate more analytical and technical consultancy activities to back up the financing of reform programs, the modernization of institutions and the concretization of reflections on development issues. The production of relevant analytical reports made available to the Government and civil society will help to improve the quality of the Bank's dialogue with the Government and all development stakeholders in Morocco.

4.6.6 Although the Government has expressed enormous needs in this area, the Bank will observe the principles of selectivity and flexibility in choosing the studies or technical assistance operations it will support. All requests shall be examined on a case-by-case basis, in accordance with the priorities retained in the Bank's assistance strategy and depending on their capacity to contribute to the attainment of targeted strategic objectives.

4.7 Partnership and Harmonization

4.7.1 The Moroccan government has not yet set up a formal consultative mechanism, such as a roundtable or advisory panel to manage its cooperation relations with the various international donors intervening in the country. The Government's dialogue with the different donors is conducted mainly in the form of bilateral consultations. However, the Government reserves the option of consulting several of its development partners, on an ad hoc basis and all at the same time, on a major development issue or an intervention for which their intervention is needed.

4.7.2 Relations between the donors intervening in Morocco are conducted through bilateral consultations. Such consultations usually take place on the field in Morocco between the Bank's mission teams and experts from the various international institutions represented in Morocco. The Bank's missions in Morocco usually hold working sessions with experts from the international institutions established in the country. Given the co-financing of the administrative reform support program, tripartite consultations started between the Bank, the World Bank (IBRD) and the European Union (EU). These consultations will be intensified with the envisaged joint assessment and co-financing of PARAP III.

Box 3 – Consultations on Bank Group strategy

Consultations on the Bank Group strategy in Morocco started with the development partners represented in Morocco (World Bank, European Union, UNDP) and the General Confederation of Moroccan enterprises (Moroccan employers' association), during the CSP preparation mission in October 2005. The second wave of these consultations took place in December 2006 during two workshops that were organized with some civil society representatives on 12 December 2006 and with external partners represented in Morocco on 13 December 2006 during the CSP dialogue mission. On the whole, the CSP project was well received by both groups. The Bank's strategy was deemed pertinent and received the support of representatives of the Moroccan government, civil society and development partners. As their contribution to the improvement of the Bank's assistance strategy, the participants at these meetings expressed the wish that: i) the private sector promotion strategy be more explicit and focused on SME/SMI support; ii) the Bank's support to NHDI activities be clearly stated; and (iii) the Bank equally engage more in-depth dialogue with the Moroccan government on environmental issues. The relevant comments made by the participants at the dialogue on the CSP project were taken into account in the present document.

4.7.3 The Moroccan government is heavily involved and interested in the ongoing procedures harmonization process. It actively attended all international meetings held on this subject and is all for the acceleration of this process, notably as concerns the reform support program. At its request, the second phase of the public administration reform support program became the first program on which the three institutions (World Bank, European Union and ADB) harmonized procedures, as much as possible, during the various stages of the project cycle. Given the imminent co-financing of reform programs, the Morocco country office will join other external partners to examine ways and means of enhancing the harmonization of procedures in the area of reform support.

Table 3: MOROCCO – THEMATIC RESULTS MATRIX FOR CSP 2007-2011

Long-term strategic goals	Short-term CSP outcomes				Bank priorities and performance	
Results obtained by MIC (in development (MDGs and other goals))	Sectoral issues	CSP outcomes and gains that the Bank hopes to influence	Intermediate indicators for CSP outcomes	Strategies/ actions for intermediate indicators and outcomes	Bank and partner interventions in the sector	Process and implementation of Bank performance measurement
Pillar I: Improvement of the governance system						
Preserve macroeconomic stability	1.2 Unsustainable budget deficit level in the medium-term 1.2 No control of the government's wage bill 1.2 Steady rise in the domestic debt	1.2 Consolidate macroeconomic stability	<ul style="list-style-type: none"> - Reduce the budget deficit to 4.5% by 2007 and 3.5 % in 2010 - cut the wage bill to 12.5% of GDP in 2007 and 11.5% in 2010 - contain inflation to at least 2.5% in 2007 - maintain the external debt at 26% of GDP, at least, in 2007 	Support to wage bill reduction Fiscal reform support	Ongoing projects PARAP II Envisaged project PARAP III Partners World Bank European Union FMI	Joint appraisal mission Joint mid-term review Joint PCR
Improve public administration efficiency	Complexity of administrative circuits and procedures; administrative bottlenecks and bureaucracy; chaotic management of human resources	Improve public governance	<ul style="list-style-type: none"> - Adherence of at least 23 ministries to the centralization of credits in 2007 -Establishment of employment and skills referentials by 8 ministries in 2007 - production of master plans for planned human resource management over 3 years for 6 ministries in 2007 - Generalization of MTEF procedures in 2007 and preparation by all ministries of draft sectoral MTEFs for 2008-2010 - Institution in 2008 of decentralization master plans and goals/means/outcomes contracts in all ministries 		Ongoing project PARAP II Envisaged project PARAP III Partners World Bank European Union	Joint appraisal mission Joint mid-term review Joint PCR
Improve the investment climate	Non-privatization investment rate still insufficient	Increase the investment rate	Effective adoption and application of labor code implementing decrees Fulfillment of the conditions for disbursement of the PARAP III	Administration reform support	Ongoing projects PARAP II Envisaged project PARAP III	Joint appraisal mission Joint mid-term review Joint PCR

Long-term strategic goals	Short-term CSP outcomes				Bank priorities and performance	
Results obtained by MIC (in development (MDGs and other goals))	Sectoral issues	CSP outcomes and gains that the Bank hopes to influence	Intermediate indicators for CSP outcomes	Strategies/ actions for intermediate indicators and outcomes	Bank and partner interventions in the sector	Process and implementation of Bank performance measurement
			loan tranche		Partners World Bank European Union	
Pillar II: Development and modernization of economic infrastructure						
Boost the competitiveness and productivity of the economy						
Continue implementing the National Road Reinforcement Plan (SAAN) in 2010.	Communication difficulties between the two tourism centers (Marrakech and Agadir)	Road generates substantial time gain with greater road safety.	233.5 km of highways for the tourist activities of the two tourist centers and their environs.	Improvement of the level of road safety; reduction of travel time; reduction of transport costs.	Envisaged project Fes-Oujda road Partners Arab and Islamic Funds, European and Japanese banks.	Supervision missions Mid-term review Project completion report Statistics from the ADM, DRCR and Department of Tourism. Post-appraisal (OPEV)
Modernize and extend the railway network	Limited fluidity of railway traffic. Insufficient railway productivity	Increase transit speed to 100 km/h beyond 2010. Increase railway coverage of the national territory. Modernize and extend the railway network in 2010. 50% time gain on current stretch.	Railway lines doubled and modernized to standard track gauge, and put at the disposal of users with the required comfort and safety.	Promotion of industrial activities with competitive prices due to the efficiency of rail transport.		Supervision missions Mid-term review Project completion report Statistics from the OCP and ONCF. Post-appraisal (OPEV)
Standardize Moroccan airports and airspace in terms of security and safety.	Limited competitiveness of air transport due to inadequate safety.	Safe airbases and airspace in 2010. Casa and Rabat airports certified in 2008 and the rest of the airbases in 2010.	Creation of an enabling and accessible environment for business.	Promotion of tourism to prepare the country to receive 10 million tourists in 2010 and Morocco's integration into the European economy	Ongoing project : Airport capacity improvement and extension project	Supervision missions Mid-term review Project completion report Statistics from ONDA Department of Tourism. Post-appraisal (OPEV)
- Increase the total installed power in terms of energy output in order to address the needs of the economy	Production constraints to satisfy the growing demand for electricity.	- Satisfy energy demand	- Increase total installed power from 4,504 MW in 2004 to 6,636 MW in 2012. - Diversify energy supply sources with 69.5%	Reduce energy costs by 5% to come down to the level of comparable countries.	Ongoing projects : - Interconnection of electricity networks Partners: EIB, AFD. - Ain Ben Mathar thermo-solar power	Supervision missions. Mid-term reviews. Project completion reports. Consultation meetings with

Long-term strategic goals	Short-term CSP outcomes				Bank priorities and performance	
Results obtained by MIC (in development (MDGs and other goals))	Sectoral issues	CSP outcomes and gains that the Bank hopes to influence	Intermediate indicators for CSP outcomes	Strategies/ actions for intermediate indicators and outcomes	Bank and partner interventions in the sector	Process and implementation of Bank performance measurement
- Diversify energy supply sources.	High dependence on oil and coal exports.	Help to reduce energy costs.	thermal, 26.7% hydro and 3.8% wind generation.		station. Partners : BM (GEF). Proposed project: Ain Ben Mathar thermo-solar power station, phase II.	the departments concerned and donors (minimum one meeting per year).
Save water ensure the protection and preservation of water resources (reduce water resources pollution by close to 80% and reduce the silting rate of dams from 20% to 30%). Ensure better financial resource mobilization and allocation in the water sector (promotion of public-private partnership).	Inefficient water resource management (imbalance between mobilization and use of water, imbalance between potable water supply and wastewater purification, ground resources endangered, high leakage rate in distribution networks). Siltation problems in dams. Glaring backwardness of the sanitation and wastewater purification sub-sector (treatment of at least 10% of wastewater).	Reinforcement of water supply systems, increase in the rate of individual connections and control wastage. Sanitation and wastewater purification in several towns and urban centers.	Increase the output of distribution networks to 78% and raise production to 95% in 2008. Increase of the waste water treatment rate from 10% in 2005 to 30% in 2010.	Continue to support legislative and statutory reforms of the sector through new sectoral adjustment programs and strategic studies. Continue to finance investment projects in the potable water and sanitation sector (including the waste water purification).	Intervention not yet specified	
Pillar III: Promotion of human development						
Reduce social disparities by consolidating basic social facilities.						
-Reduce social disparities in poor urban neighborhoods and destitute rural communities -Promote activities that generate stable incomes and jobs	High number of very poor urban neighborhoods (250) and very destitute rural communities (400)	- Help to develop of basic social facilities and services in poor urban neighborhoods and very destitute rural communities -Support the development of income-generating activities for the NHDI target	- Percentage of households, women and youth who indicated that they totally or partially took part in the participation process - (i) decisions relating to sub-projects approved or rejected; (ii) annual financial reports and implementation reports of sub-projects; and (iii) results of procurements of goods and	- Percentage of sub-projects identified by target communities and effectively financed - Percentage of households, women and youths that have indicated having access to basic infrastructure after its installation	Partners: WB Proposed project: Project(s) shall be identified after later consultation with the Government and other external partners, notably the WB.	

Long-term strategic goals	Short-term CSP outcomes				Bank priorities and performance	
Results obtained by MIC (in development (MDGs and other goals))	Sectoral issues	CSP outcomes and gains that the Bank hopes to influence	Intermediate indicators for CSP outcomes	Strategies/ actions for intermediate indicators and outcomes	Bank and partner interventions in the sector	Process and implementation of Bank performance measurement
		populations	services (including results on the NHDI site for all invitations to tender that exceed MAD 2 million, published by local, provincial and regional human development committees.	- Number of projects with women as the main beneficiaries. The number should reach 50% of total NHDI sub-projects (excluding infrastructure projects) by 2010.		
Raise the rural population's access rate from 54% in 2005 to 80 % in 2015	Landlocked nature of rural areas	The project's impact objectives in reducing transit time; cutting transport costs; and increasing the enrolment ratio for boys and girls shall be specified in an ongoing study whose results shall be available in the second half of 2007.	15,000 km of light infrastructure earth roads put at the disposal of landlocked rural communities.	Empowerment of rural women, compulsory schooling for children, reduction of passenger and freight costs	Proposed project: PNRR 2 Partners : World Bank EIB AFD JBIC	Supervision missions Mid-term review Project completion report Statistics from the Ministry of Equipment and Transport Post-appraisal (OPEV)
Improve the financial access of the community to quality healthcare Reduce the maternal mortality ratio by ¾ in rural areas	Health insurance covers barely 20% of the country's population Morocco has the highest maternal mortality ratio among Maghreb countries	Consolidate the gains of PARCOUM and extend national coverage Consolidate the gains of the Basic Healthcare Reinforcement Project (PRSSB) in rural areas	Institute a Medical Assistance Scheme for the Economically Vulnerable (RAMED) Increase in the State budget allocation to the health sector	Support to Phase II of PARCOUM Sectoral approach	Proposed project: PARCOUM II Partners : EU Health sector investment strategy in partnership with the main health sector donors in Morocco.	Supervision missions. Mid-term reviews. Project completion reports. Consultation meetings with the departments concerned and donors minimum

4.7.4 It should be noted that with the establishment of the ADB country office in Morocco, dialogue with the Government and with development partners will henceforth take a new dimension in terms of regularity and depth. The Bank will use the National Bank of Morocco as the linchpin of this dialogue on the field with the Government, donors and civil society representatives.

5. RESULTS-BASED MONITORING AND EVALUATION

5.1 Monitoring of CSP results and Bank Group Performance

5.1.1 Monitoring and Evaluation by the Bank: For the monitoring of CSP results, the Bank shall, in accordance with its relevant standard norms, use its traditional tools which are: project and program supervision, portfolio review, mid-term review and project completion reports. Supervision missions from headquarters shall be supplemented with field supervision missions conducted by the Bank's operational teams from the country office in Morocco. This new type of supervision mission will act as a warning system for Region B operations. Portfolio review shall be conducted in 2006 and the CSP mid-term review in 2008 after the formation of the Government that shall emerge from the legislative elections of 2007. Depending on the main economic and social guidelines that shall be presented by the Prime Minister following his appointment, the Bank shall take advantage of the mid-term review to readjust its strategic guidelines and operational priorities, if need be.

5.1.2 Monitoring and Evaluation by the Moroccan Government: The Moroccan government has no special and centralized mechanism for monitoring and evaluation of projects and programs. However, the Treasury Department in the Ministry of Finance and Privatization shall be the Bank's main interlocutor for the monitoring and evaluation of the CSP. Morocco has the advantage of having initiated the practice of results-based budget management during PARAP implementation with Bank support. The dissemination of the culture of results-based management within the Moroccan administration over the past few years will greatly facilitate Morocco's participation in the Bank's CSP results-based monitoring and evaluation process.

5.2 Risk Management

5.2.1 Implementation of the Bank's strategy could be undermined by several risks. The main risk could be sociopolitical. The rise in unemployment, poverty and marginalization in urban areas, especially among the youth, could trigger a latent or open sociopolitical crisis that could upset the priorities of the Government's agenda. The Government's awareness of this risk is evident at various levels. Its grassroots policy, free education and training, development of social assistance mechanisms, implementation of the "Shanty-free Cities" Program, and the economic growth revival policy are all elements whose results will contribute to the mitigation of this risk. The recent launching of initiatives such as the NHDI or the Employment Forum attests to the Government's resolve to mitigate this risk.

5.2.2 The second risk facing the Bank's program is a possible letup in the pace of implementation of Bank-supported structural reforms. This could stem from difficulties in fulfilling certain conditions precedent to loan disbursement or a multiplication of requests for waivers on certain loan conditions. Apart from a few bottlenecks in decision-making and delays observed in the implementation of structural reforms, the political will to carry through these reforms remains strong. Considering its international commitments and

imminent international deadlines, the Moroccan government is aware of the absolute need to speed up the process. With regard to the Bank's portfolio, the possible risks are mitigated by the fact that since PARAP I (financed in Morocco in 2004), the Bank and the Government pay special attention to the number and feasibility of conditions precedent to the disbursement of reform program loans. Furthermore, the implementation of PARAP I and PARAP II will help to improve the efficiency of public administration. Moreover, the actions conducted on the field in 2006 by the ADB country office in Morocco have already helped to consolidate the project monitoring and supervision mechanism.

5.3 Country Dialogue Issues

5.3.1 After the country performance assessment of 2005, Morocco was ranked in the first group of the Bank's most successful countries with a total rating of 4.28 out of 6. However, this exercise made it possible to identify the areas in which the country still has some shortcomings, namely: (i) public governance issues; (ii) economic cooperation and regional integration; (iii) Government policies and actions to combat poverty and exclusion; and (iv) the poor performance of Bank-funded social projects.

5.3.2 Public Governance Consolidation Issues: As indicated in Section 4.4, good public governance is one of the keys to a successful economic and social policy. That is why the Bank chose consolidation of the governance system as the first pillar of the current CSP. The Bank intends use this pillar to pursue dialogue with the Government on problems addressed through administrative reform: the major problem of the future of public finances and its medium-term equilibrium; the institution of results-based budgeting and decentralization, and the quality and control of public spending.

5.3.3 Economic Cooperation and Regional Integration: There is no doubt that opening up its economy to external competition has become a strategic choice for Morocco. However, a lot remains to be done to ensure a regional foothold for the Moroccan economy, in the Maghreb region, first of all, and then in the rest of Africa. For the Bank, the reinforcement of regional cooperation and creation of a Maghreb market are important elements for increasing Morocco's attractiveness to foreign investors and creating the right conditions for its integration into the world economy. In preparing its assistance strategy for AMU member-countries, the Bank intends to further its dialogue on this issue with Moroccan authorities.

5.3.4 Government Poverty Control Policy: Although progress has been made in poverty reduction, many of Morocco's social indicators remain low compared to those of countries with the same level of development. Hence, the Bank intends to initiate dialogue on this issue to study ways and means of providing its assistance to poverty reduction by conducting analytical work and financing operations on poverty reduction especially in rural areas.

5.3.5 Environmental Policies and Regulations: Morocco has strong environmental protection laws which are, however, fraught with shortcomings that prevent their full application. Act No. 12-03 on environmental impact assessments (EIA) for project preparation and implementation is a good example. The absence of an implementing decree for this law is delaying the setting up of EIA Regional Committees, thereby creating much extra work for the National Environment Committee. The Bank would like to initiate dialogue with the Moroccan government on this issue of EIAs and environmental protection, in direct relation to economic and human development. Similarly, in a bid to harmonize our respective EIA approaches, the Bank will propose to Morocco the conduct of a study to

establish equivalences. As part of the dialogue in this domain, both parties will examine ways and means of enabling the Bank to efficiently support Government programs aimed at improving environmental indicators.

6. CONCLUSION AND RECOMMENDATIONS

Conclusion

6.1 Over the last five years, Morocco has made substantial progress in macroeconomic planning and implementation of structural reforms thanks to the policies applied by the Government with backing from the donor community. However, this progress is still not sufficient to tackle the triple challenge of achieving strong and robust job-creating growth, consolidating macroeconomic stability and achieving a substantial reduction in poverty. Hence, **the Bank's proposed assistance strategy for 2007-2011 focuses on the following three pillars: (a) consolidation of the governance system; (b) development and modernization of economic infrastructure; and (c) the promotion of human development.**

6.2 Hence, from the operational standpoint, the Bank's CSP 2007-2011 priority intervention areas in Morocco can be summed up as follows: **(i) continuation of support to structural reforms (macroeconomic, institutional and sectoral); (ii) support of infrastructure development and modernization activities; and (iii) contribution to the improvement of community access to basic social facilities especially in rural areas.** This strategy is in line with the priorities defined in the Government's development agenda and the Bank Group's 2003-2007 strategic plan and the guidelines of the Paris Declaration.

Recommendation

6.3 Hence, the Board of Directors is invited to consider and adopt the current Country Strategy Paper of the Kingdom of Morocco for the 2007-2011. The Bank's strategy shall be implemented through the "reference scenario" which provides for an indicative sustainable loan amount of UA 228 million for the financing of reform programs and investment projects. This amount could be raised above the indicated level, given the agreed flexibility in the treatment of middle-income countries and shall be adjusted annually.

MOROCCO: TABLE OF ONGOING BANK OPERATIONS AS OF 16 FEBRUARY 2007

Project title	Source of financing	Date of approval	Date of signature	Effective date	Closing date	Amount approved (UA million)	Amount cancelled (UA million)	Undisbursed balance (UA million)	Total disbursed (UA million)	Net loan amount (UA million)	% disbursed
Transport											
Airport capacity improvement and extension project	ADB	18/04/2001	06/01/2002	18/09/2002	31/12/2006	66.12	0.00	27.23	40.89	66.12	61.84%
Total transport						66.12	0.00	27.23	40.89	66.12	61.84%
Water and Sanitation											
Water Sector Adjustment Program	ADB	03/12/2003	14/10/2004	29/04/2005	31/12/2006	188.24	0.00	94.56	93.68	188.24	50%
8th DWSS Project	ADB	24/11/2004	07/02/2005	24/11/2005	31/12/2010	58.22	0.00	39.76	18.46	58.22	31.70%
Total Water & Sanitation						246.46	0.00	104.32	112.14	246.46	45.50%
Energy											
Construction of a thermo-solar power station	ADB	02/03/2005	29/08/2005	07/08/2006	31/12/2010	119.47	0.00	119.47	0.00	119.47	0
Total Energy						119.47	0.00	119.47	0.00	119.47	0
Education											
Support to quality basic education	ADB	30/11/2000	30/05/2001	17/09/2001	31/12/2007	42.22	0.00	30.81	11.41	42.22	27%
Total education						42.22	0.00	30.81	11.41	42.22	27%
Health											
Health Coverage Support Program	ADB	12/12/2002	25/04/2003	20/08/2003	31/12/2006	96.31	0.00	48.15	48.16	96.31	50%
Total Health						96.31	0.00	48.15	48.16	96.31	50%
Grand total						570.58	0.00	329.98	212.6	570.58	37.26%

MOROCCO: COUNTRY STRATEGY FRAMEWORK MATRIX 2007-2011

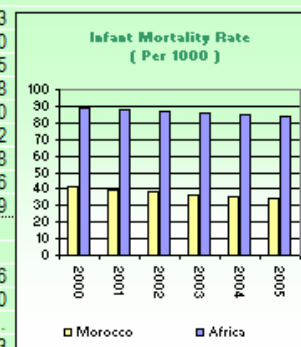
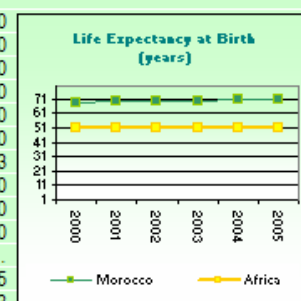
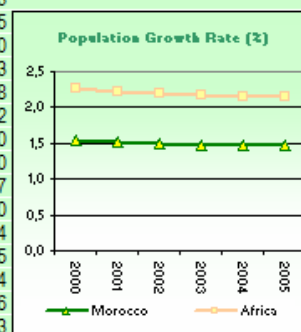
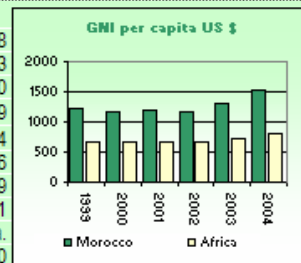
Challenges for the country	Government agenda (NDA)	Bank Group strategy	Bank Group activities		Other strategies/bilateral and multilateral	Benchmarks		
			Recent and ongoing	Proposed		MDGs	End of RBCSP period goals	Strategy/agenda implementation until 2011
Pillar I: Improvement of the governance system								
Economic growth below potential	Achieve robust and sustainable growth	Contribute to the attainment of robust, sustainable and steady growth	PARAP II	PARAP III	World Bank and European Union : PARAP	Target 1	Robust and sustainable economic growth (6% per year)	2007-2011
Structural budget deficit	Cut the budget deficit to 3.5% of GDP by 2010	Preserve medium-term macroeconomic stability					Sustainable budget deficit (3.5% in 2010)	2007-2011
Bottlenecks and bureaucracy in public administration decision-making and functioning	Modernize public administration by improving financial and human resource management	Support the implementation of administrative reforms	PARAP II	PARAP III	World Bank and European Union : PARAP III		Improvement of public governance	2007-2011
Insufficient attraction of FDI	Improve the investment climate	Support the implementation of administrative reforms	PARAP II	PARAP III	World Bank and European Union : PARAP III	Target 1	Increase in investment rate between 2007 and 2011	2007-2011
Pillar II: Development and implementation of economic infrastructure								
Low competitiveness of transport	Modernize transport	Help to boost transport competitiveness and safety	Marrakech-Agadir highway	Fes-Oujda highway	European Union, Arab and Islamic funds, Japanese bank	Target 1	Decline in transport and transaction costs Increase in transport safety	2006-2010
Limited supply, growing demand and efficient management of water	Reduction of water-related stress, rational water management, consolidation of sanitation and purification facilities	Support the policy on rational use and development of water resources and the fructification of investments in this sector	<i>Water SAP</i> 8 th DWSS project	Oued Martil Dam Project	European Union and World Bank	Target 1 et 7	More rational water management, sanitation and waste water purification	2007-2011
Low rate of access to safe water in rural areas	Generalization of access to safe water in rural areas	Support the policy of generalization of access to safe water in rural areas	9 th PWSS Project	New PWSS project in rural areas	World Bank French Development Agency	Target 1 and 7		2007-2010

Challenges for the country	Government agenda (NDA)	Bank Group strategy	Bank Group activities		Other strategies/bilateral and multilateral	Benchmarks		
			Recent and ongoing	Proposed		MDGs	End of RBCSP period goals	Strategy/agenda implementation until 2011
Pillar III: Promotion of human development								
Landlocked nature of some rural areas	Opening up access roads to rural areas	Support the Government's policy to create access roads to landlocked rural areas		Proposed project: Rural road construction project PNRR2	World Bank		Creation of access for a rural population of three million inhabitants	2006-2010
Still very limited financial access to good quality health services Limited health insurance coverage	PARCOUM RAMED	Support health sector reforms	PARCOUM ongoing	Proposed project: PARCOUM II	Partnership with EU			2007-2011

Morocco

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Morocco	Africa	Developing Country	Developed Country
Basic Indicators					
Area ('000 Km ²)		711	30 307	80 976	54 658
Total Population (millions)	2005	31,5	904,8	5 253,5	1 211,3
Urban Population (% of Total)	2005	58,9	38,9	43,1	78,0
Population Density (per Km ²)	2005	44,3	29,9	60,6	22,9
GNI per Capita (US \$)	2004	1 520	811	1 154	26 214
Labor Force Participation - Total (%)	2003	41,4	43,4	45,6	54,6
Labor Force Participation - Female (%)	2003	35,1	41,1	39,7	44,9
Gender -Related Development Index Value	2003	0,616	0,460	0,694	0,911
Human Develop. Index (Rank among 174 countries)	2003	124	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2004	14,2	45,0	32,0	20,0
Demographic Indicators					
Population Growth Rate - Total (%)	2005	1,5	2,1	1,4	0,3
Population Growth Rate - Urban (%)	2005	2,7	3,4	2,6	0,5
Population < 15 years (%)	2005	31,1	41,5	32,4	18,0
Population >= 65 years (%)	2005	4,8	3,4	5,5	15,3
Dependency Ratio (%)	2005	56,0	81,4	57,8	47,8
Sex Ratio (per 100 female)	2005	98,8	99,8	102,7	94,2
Female Population 15-49 years (% of total population)	2005	31,2	26,7	27,1	25,0
Life Expectancy at Birth - Total (years)	2005	70,4	51,2	64,1	76,0
Life Expectancy at Birth - Female (years)	2005	72,7	52,0	65,9	79,7
Crude Birth Rate (per 1,000)	2005	22,6	36,8	22,8	11,0
Crude Death Rate (per 1,000)	2005	5,7	15,0	8,7	10,4
Infant Mortality Rate (per 1,000)	2005	34,0	83,6	59,4	7,5
Child Mortality Rate (per 1,000)	2005	41,0	139,6	89,3	9,4
Total Fertility Rate (per woman)	2005	2,7	4,8	2,8	1,6
Maternal Mortality Rate (per 100,000)	2003	160	622,9	440	13
Women Using Contraception (%)	2004	63,0	26,6	59,0	74,0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004	54,1	38,2	78,0	287,0
Nurses (per 100,000 people)	2004	86,4	110,7	98,0	782,0
Births attended by Trained Health Personnel (%)	2004	63,0	43,7	56,0	99,0
Access to Safe Water (% of Population)	2002	80,0	64,5	78,0	100,0
Access to Health Services (% of Population)*	2000	62,4	61,7	80,0	100,0
Access to Sanitation (% of Population)	2002	61,0	42,4	52,0	100,0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2003	0,1	6,4	1,3	0,3
Incidence of Tuberculosis (per 100,000)	2003	105,0	406,4	144,0	11,0
Child Immunization Against Tuberculosis (%)	2004	95,0	78,2	82,0	93,0
Child Immunization Against Measles (%)	2004	95,0	68,8	73,0	90,0
Underweight Children (% of children under 5 years)	2003	7,0	39,0	31,0	...
Daily Calorie Supply per Capita	2003	3 098	2 439	2 675	3 285
Public Expenditure on Health (as % of GDP)	2002	1,5	2,7	1,8	6,3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2002/03	110,0	96,7	91,0	102,3
Primary School - Female	2002/03	104,0	89,3	105,0	102,0
Secondary School - Total	2002/03	45,0	43,1	88,0	99,5
Secondary School - Female	2002/03	41,0	34,6	45,8	100,8
Primary School Female Teaching Staff (% of Total)	2002/03	44,0	44,1	51,0	82,0
Adult Literacy Rate - Total (%)	2005	46,5	35,0	26,6	1,2
Adult Literacy Rate - Male (%)	2005	34,5	26,9	19,0	0,8
Adult Literacy Rate - Female (%)	2005	58,5	42,9	34,2	1,6
Percentage of GDP Spent on Education	2001	5,10	4,7	3,9	5,9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005	19,0	6,0	9,9	11,6
Annual Rate of Deforestation (%)	2000	0,04	0,70	0,40	-0,20
Annual Rate of Reforestation (%)	2000	4,0	10,9
Per Capita CO2 Emissions (metric tons)	2005	1,27	1,0	1,9	12,3



Source : ADB Statistics Division databases; UNAIDS; World Bank Live Database and United Nations Population Division: Country Reports

Notes: n.a. Not Applicable; ... Data Not Available; * : latest data available within 1995-2000

Key macroeconomic indicators, 2001-2006

	2001	2002	2003	2004	2005	2006 Estimate
Real GDP (MAD billion)	143.4	147.9	156.1	162.8	165.6	177.7
Current GDP (MAD billions)	383.18	397.78	419.48	443.67	457.6	
Real GDP/capita (\$US)	1176	1237	1484	1677	1640	1787
GDP growth rate (in%)	6.3	3.2	5.5	4.2	1.7	7.3
Non-agric GDP growth rate (%)	3.6	2.8	3.5	4.7	5.2	5.1
Price index /consumption	0.6	2.8	1.2	1.5	1.0	3.3
Unemployment rate	12.5	11.6	11.9	10.8	11.1	9.7
Coverage ratio	64.7	66.2	61.6	55.7	52.2	54.0
Current account balance (% of GDP)	4.8	4.1	3.6	1.9	2.2	
Official reserves (import months)	9.8	10.2	11.2	11.0	11.0	11.7
	As % of GDP					
Total revenue	24.9%	24.7%	24.6%	25.3%	27.2%	28.3%
Total expenditure (recurrent and investment)	31.5%	29.6%	29.8%	30.5%	34.2%	
Recurrent expenditure	26%	24.6%	25.1%	25.7%	29.8%	27.1%
<i>Including salaries</i>	12.5%	12.2%	12.7%	12.7%	13.6%	12.5%
Total budget balance (deficit-)	-2.6%	-4.3%	-3.3%	-3.4%	-4.4	
Budget balance (deficit-) net of privat.	-6.3%	-4.7%	-5.0%	-4.6%	-5.9%	-2.5
Total public debt	88.7%	83.9%	80.3%	76.5%	81.9%	
External debt of the Treasury	29.0%	23.3%	18.8%	15.9%	15.1%	12.9%
Total public external debt	42.6%	35.7%	30.0%	26.0%	25.3%	22.7%
Public domestic debt	45.9%	48.2%	50.4%	50.5%	56.5%	
Debt servicing (% bal. of payments current revenue)	16.5%	16.1%	17.4%	11.6%	9.5%	7.2%

Source: Moroccan Government and IMF

GDP trends (at constant prices, 2001-2006

Base 1980	2001		2002		2003		2004		2005 semi-definit		2006 estimate	
	MDH	%	MDH	%	MDH	%	MDH	%	MDH	%	MDH	%
Primary sector	19618	27.6	20717	5.6	24446	18.0	24911	1.9	20501	-17.7	25783	25.8
as a % of GDP	13.7		14.0		15.7		15.3		12.4		14.5	
Secondary sector	43643	5.0	44817	2.7	45961	2.6	48230	4.9	51125	6.0	53344	4.3
as a % of GDP	30.4		30.3		29.4		29.6		30.9		30.0	
Extractive industries	3952	3.0	4079	3.2	3847	-5.7	4212	9.5	4431	5.2	4431	0.0
Energy and water	7250	7.8	7468	3.0	7382	-1.2	8208	11.0	9711	18.3	10100	4.0
Manufacturing industry	25792	4.2	26641	3.3	27627	3.7	28456	3.0	29195	2.6	30363	4.0
Construction sector	6648	5.9	6628	-0.3	7105	7.2	7354	3.5	778	5.9	8450	8.5
Tertiary sector	55705	2.0	57519	3.3	59320	3.1	62453	5.3	65370	4.7	69731	6.7
as a % of GDP	38.8		38.9		38.0		38.4		39.5		39.2	
Public transport	10162	-0.2	10625	4.6	10965	3.2	11491	4.8	12307	7.1	13033	5.9
Other services	15328	1.5	15499	1.1	15668	1.1	15932	1.7	16415	3.0	17023	3.7
Commerce	30216	3.1	31395	3.9	32687	4.1	35030	7.2	36648	4.6	39675	8.3
GDP formation	118966	6.6	123053	3.4	129728	5.4	135594	4.5	136996	1.0	148858	8.7
Government services	24428	4.6	24917	2.0	26412	6.0	27173	2.9	28563	5.1	28849	1.0
as percentage	17.0		16.8		16.9		16.7		17.3		16.2	
Constant GDP	143394	6.3	147969	3.2	156140	5.5	162767	4.2	165560	1.7	177707	7.3
Non-agricultural GDP	123776	3.6	127252	2.8	131694	3.5	137856	4.7	145058	5.2	151923	4.7
Current GDP	383184	8.2	397782	3.8	419485	5.5	443673	5.8	457621	3.1	504950	10.3
Current non-agric. GDP	323527	6.0	333641	3.1	349507	4.8	373275	6.8	392925	5.3	421808	7.4
GDP deflator	1.8		0.6		-0.1		1.5		1.4		2.8	
Base year: 1998												
% change in GDP (previous year prices)	7.6%		3.3%		6.1%		5.1%		2.4%		7.6%	
	426871	8.4%	446044	4.5%	476987	6.9%	500081	4.8%	522649	4.5%	577081	10.4%

GDP trend (previous year prices), 1998-2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
									<i>Estimates</i>	
% change		0.5%	1.8 %	7.6%	3.3%	6.1%	5.1%	2.4%	7.6%	3.7%
% change of GDP base 1980		-0.1%	1.0%	6.3%	3.2%	5.5%	4.2%	1.7%	7.3%	3.4%
GDP (current prices)	384452	389786	393786	426871	446044	476987	503745	520766	574864	607785
% change		1.4	1.0	8.4	4.5	6.9	5.6	3.4	10.4	5.7
GDP base 80 (current prices)	344005	355594	354208	383184	397782	419485	443673	457621	504790	532607
Valuation base 98/base 80	1.8%	12.8%	1.2%	11.4%	12.1%	13.7%	13.5%	13.8%	13.9%	14.1%
Non-agric GDP at current prices	321043	335091	347477	370281	387042	410160	430996	454423	493375	529861
% change		4.4	3.7	6.6	4.5	6.0	5.1	5.4	8.6	7.4
GDP Deflator		0.9	-0.8	0.7	1.2	0.8	1.5	1.0	2.8	2.0
COST OF LIVING	2.7	0.7	1.9	0.6	2.8	1.2	1.5	1.0	2.8	2.0

Source: Moroccan authorities (November 2006)

MOROCCO: MONETARY SURVEY, 2000 – 2006

Monetary situation (in MAD million)	2000	2001	2002	2003	2004	2005	30/11/2006
	54,685	101,949	110,780	127,461	144,441	265,899	192,644
I/ Net foreign assets:	52,651	99,264	104,490	122,651	135,401	150,227	172,252
Net foreign assets of B.A.M	2,034	2,685	6,290	5,110	9,040	15,672	20,392
Net foreign assets of banks							
II/ Total domestic credit (A+B+C)	300164	301856	314230	332741	344757	380016	411359
A- Claims on the State	85934	78329	80697	78537	72665	77414	70690
Net claims on B.A.M	16033	-3117	-4584	-7185	-7977	-7289	-10471
Claims on banks	61729	73161	76923	77123	72033	75391	71879
Claims on individuals and non-financial enterprises	6172	8285	8358	8599	8609	9312	9282
B- Credits to the economy	208022	216951	226221	246008	262743	292029	329318
Credits to B.A.M	7471	8304	9747	11477	11302	7696	7514
Credits to banks	200551	208647	216474	234531	251441	284333	321804
C- Counterpart assets in CEN passbook accounts	6208	6576	7312	8196	9349	10572	11351
TOTAL OF MONETARY COUNTERPARTIES (I+II+III)	354849	403805	425010	460202	432084	488114	548382
III/ Non-monetary resources	58490	60875	60011	58774	57114	57801	55621
Balance of the various elements	-3575	-8943	-9487	-15088	-15654	-13357	-12356
M3 – M + Fixed-term investments	292784	333987	355512	386340	416430	474757	536026

Source: Moroccan authorities

BALANCE OF PAYMENTS 2001 2006

US\$ million	2001	2002	2003	2004	2005	2006(P)
<u>Trade balance (fob)</u>	-3 022	-3 061	-4 335	-6 486	-8 218	-9 420
Exports, fob	7 141	7 839	8 763	9 914	10 709	12 101
Imports, fob	-10 162	-10 900	-13 098	-16 400	-18 927	-21 521
<u>Non-factor services</u>	1 910	1 946	2 617	3 262	4 265	5 366
Travel	2 193	2 201	2 678	3 352	4 011	5 008
Transport	-123	-77	-218	-349	-283	-354
<u>Net revenue from investments</u>	-832	-738	-790	-676	-309	-577
<u>Net transfers</u>	3 555	3 330	4 083	4 865	5 394	6 208
Net private transfers	3 535	3 223	4 002	4 728	5 152	5 732
Net official transfers	20	107	81	137	241	475
Current account balance	<u>1 611</u>	<u>1 477</u>	<u>1 576</u>	<u>965</u>	<u>1 132</u>	<u>1 577</u>
Capital and financial operations account	<u>2 236</u>	<u>-839</u>	<u>68</u>	<u>929</u>	<u>1 232</u>	<u>1 558</u>
Capital transfers	35	84	-10	-8	-5	0
Financial operations	<u>2 201</u>	<u>-924</u>	<u>78</u>	<u>937</u>	<u>1 237</u>	<u>1 558</u>
Private sector	<u>3 322</u>	<u>439</u>	<u>1 217</u>	<u>2 028</u>	<u>1 465</u>	<u>1 722</u>
Investment and private loans						
Foreign	<u>2 598</u>	<u>221</u>	<u>1 510</u>	<u>647</u>	<u>1 510</u>	<u>1 345</u>
Others (incl. errors and omissions)	<u>723</u>	<u>218</u>	<u>-293</u>	<u>1 381</u>	<u>-46</u>	<u>377</u>
Public sector	<u>-1 120</u>	<u>-1 362</u>	<u>-1 139</u>	<u>-1 091</u>	<u>-228</u>	<u>-164</u>
Drawings	<u>628</u>	<u>661</u>	<u>1 409</u>	<u>978</u>	<u>1 583</u>	<u>1 485</u>
Amortization	<u>-1 749</u>	<u>-2 024</u>	<u>-2 548</u>	<u>-2 069</u>	<u>-1 810</u>	<u>-1 649</u>
Change in foreign assets (-increase)	-3 847	-638	-1 643	-1 894	-2 364	-3 136

Source: Moroccan authorities
(P) Forecasts, November 2006

MOROCCO: PUBLIC FINANCE SITUATION, 2000-2006

	2000	2001	2002	2003	2004	2005Act	LF2006
Total revenue (1)	92 859	95 567	98 261	103 080	112 273	124 538	140 406
Including tax revenue	80 473	84 235	87 666	91 221	97 563	110 254	121 895
Total expenditure (recurrent and investment)	111 682	121 692	119 046	126 006	135 335	156 619	155 695
Recurrent expenditure (3)	92 433	100 439	98 793	106 188	113 932	136 535	134 235
Including salaries	42 518	47 998	48 580	53 225	56 559	62 020	62 140
Interest	18 620	18 754	17 411	17 351	17 586	17 319	18 638
Investment	19 249	21 253	20 253	19 818	21 403	20 084	21 460
Special Treasury accounts balance	-515	2 462	2 117	1 943	2 737	4 925	3 000
Hassan II Fund expenditure(4)	1 902	613	120	0	0	0	0
Total deficit	-21 240	-24 277	-18 788	-20 983	-20 326	-27 156	-12 289
Central Government debt stock	268 034	286 496	284 106	290 409	294 261	327 568	347 591

Source: Moroccan authorities

- (1) Including local council VAT and net of privatization revenue
- (2) Including VAT transfers to local councils
- (3) Recurrent expenditure was adjusted to include sums paid to the Moroccan Pension Fund as employer contributions.
- (4) From FY2002, Hassan II Fund operations are no longer covered in the expenditure and income statements of the Treasury.

MOROCCO: PUBLIC FINANCE SITUATION, 2000-2006 (as % of GDP)

	2000	2001	2002	2003	2004	2005Act	LF2006
Total revenue (1)	26.2%	24.9%	24.7%	24.6%	25.3%	27.2%	28.3%
Including tax revenue	22.7%	22.0%	22.0%	21.7%	22.0%	24.1%	24.6%
Total expenditure (recurrent and investment)	31.5%	31.8%	29.9%	30.0%	30.5%	34.2%	31.4%
Recurrent expenditure (3)	26.1%	26.2%	24.8%	25.3%	25.7%	29.8%	27.1%
Including salaries	12.0%	12.5%	12.2%	12.7%	12.7%	13.6%	12.5%
Interest	5.3%	4.9%	4.4%	4.1%	4.0%	3.8%	3.8%
Investment	5.4%	5.5%	5.1%	4.7%	4.8%	4.4%	4.3%
Special Treasury accounts balance	-0.1%	0.6%	0.5%	0.5%	0.6%	1.1%	0.6%
Hassan II Fund expenditures (4)	0.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Total deficit	-6.0%	-6.3%	-4.7%	-5.0%	-4.6%	-5.9%	-2.5%
Central Government debt stock	75.7%	74.8%	71.4%	69.2%	66.3%	71.6%	70.1%

Source: Moroccan authorities

- (1) Including local council VAT and net of privatization revenue
- (2) Including VAT transfers to local councils
- (3) Recurrent expenditure was adjusted to include sums paid to the Moroccan Pension Fund as employer contributions.
- (4) From FY2002, Hassan II Fund operations are no longer covered in the expenditure and income statements of the Treasury.

MOROCCO / COUNTRY RISK EXPOSURE INDICATORS (2003-008)
(in percentage)

Ratios	2003	2004	2005	2006	2007	2008	Significance threshold
Share in the maximum sustainable ADB portfolio	5%	6%	6%	6%	6%	6%	15%
ADB debt servicing / Multilateral debt servicing	24%	3%	16%	22%	29%	36%	35%
ADB debt servicing / Servicing of the public debt guaranteed and disbursed by the State	18%	1%	3%	3%	3%	4%	20%
ADB debt servicing / Exports of goods and services	5%	0%	0%	1%	1%	1%	5%
Total debt servicing / Exports of goods and services.	27%	21%	18%	16%	14%	13%	30%
Total outstanding debt / GDP	39%	35%	31%	28%	26%	24%	50%
Total outstanding debt / Exports of goods and services	121	102	89	84	77	69	80%

Sources: World Bank and ADB

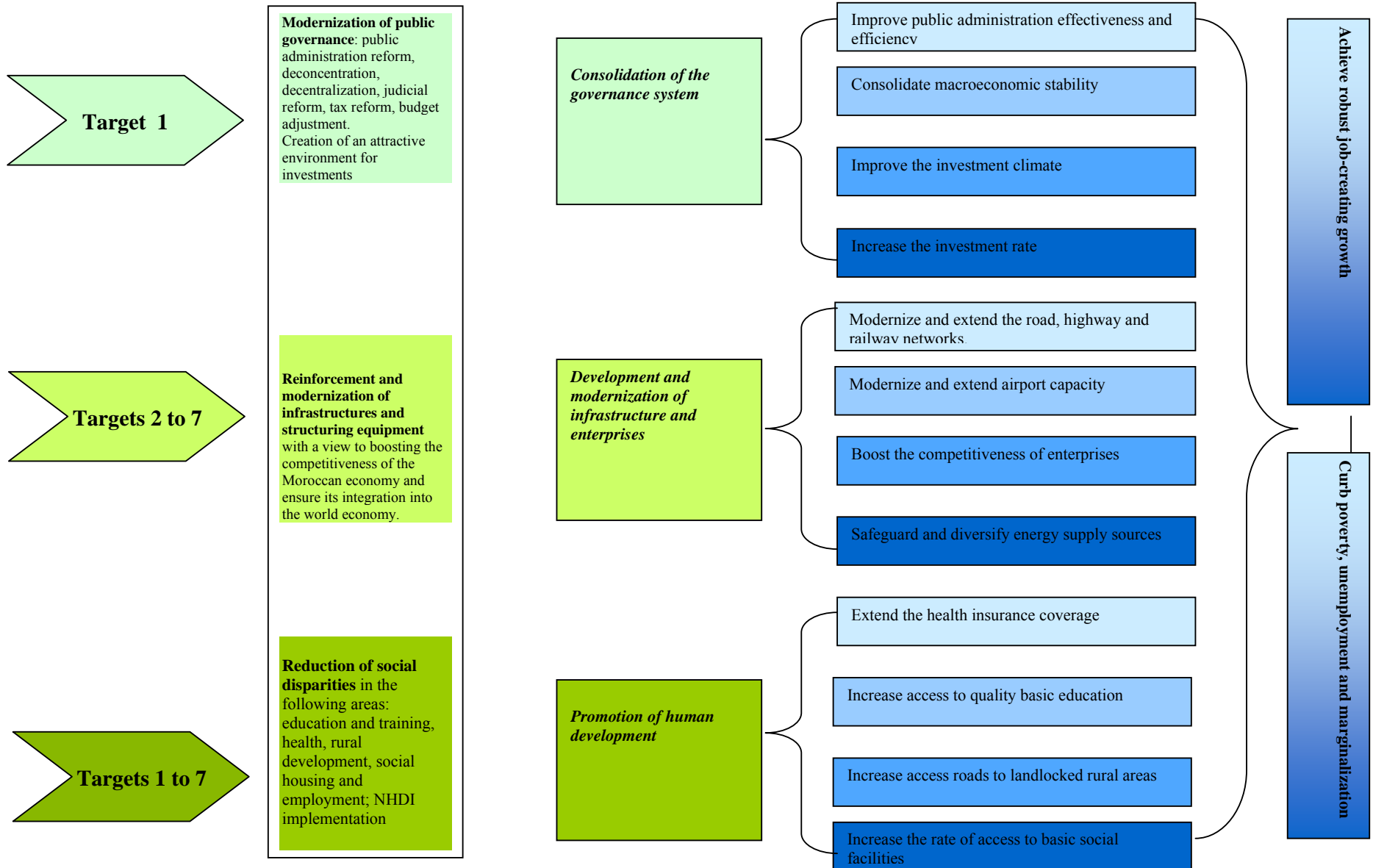
MOROCCO: POVERTY CHARACTERISTICS

INDICATORS	LEVEL	OBSERVATIONS
Human development index (2003)	0.640 (123rd out of 177 countries)	
Incidence of absolute poverty in 2004	7.7%	
Relative poverty rate in 2004	14.2%	
Percentage of the population with an income of 1 dollar (PPP) per day in 2004	0.6%	
Percentage of the population with an income of 2 dollars (PPP) per day in 2004	9.7%	
Percentage of the population living in food poverty in 2004	1.8%	
Proportion of the urban population living in relative poverty in 2004	7.9%	
Proportion of the rural population living in relative poverty in 2004	22%	
Proportion of the urban population living in extreme poverty in 2004	3.5%	
Proportion of the urban population living in poverty in 2004	12.8%	
Illiteracy rate in 2006	39%	
Net primary enrolment ratio in 2004	92.2%	
Enrolment ratio 2005-2006		
• 6 years	92%	
• 6-11 years	95%	
• 12-14 years	70%	
• 15-17 years	40%	
Rate of unsanitary housing in 2004	40%	
Population in shanty towns in 2004	4 million inhabitants	
Share of 10% of the most affluent households	32.1	2001
Contraceptive prevalence rate in 2004	63%	Urban 56% - Rural 53%
Percentage of women who had deliveries in a health establishment 2004	60.8%	Urban 83% - Rural 38%,
Percentage of deliveries attended by a trained health worker in 2004	63%	Urban 85% - Rural 40%
Percentage of fully-vaccinated children between the ages of 12 to 23 months in 2004	89%	Urban 94% - Rural 84%
Tuberculosis incidence rate	88.7 per 100 000 inhabitants	2004
Infant mortality rate in 2004	40‰	
Neo-natal mortality rate in 2004	14‰	
Maternal mortality ratio in 2004	227 per 100 000 live births	Urban 187 Rural 267
Ratio of inhabitants /physician	1.766	2005
Ratio of pharmacists /inhabitants	24 per 100 000 inhabitants	2003
Ratio of nurses/inhabitants	85 per 100 000 inhabitants	2005
Ratio of beds/inhabitants	1 bed per 903 inhabitants	2003
		Public sector
Number of hospitals	126	2003
Ratio of inhabitants/basic health centers	11,895	2005
Rural electrification rate in 2006	89%	
Proportion of the rural population with access to potable water in 2006	80%	

LIST OF DOCUMENTS CONSULTED

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3. Structure and Technological Level of Morocco's Manufactured Exports, May 2005, DEPF;
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16. Report on Moroccan Economic Trends in 2004, March 2005, Department of the Treasury and External Finance, MFP, Kingdom of Morocco;
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19. Report on Domestic Debt Trends in 2004. March 2004. DTFE. MFP. Kingdom of Morocco.
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22. Annual Report, Bank Al Maghrib, FY2005
23. Economic Situation Report N° 8, July 2006, INAC, Kingdom of Morocco
24. Preliminary conclusions of the IMF Article IV mission, 30 June 2006, Morocco.
25. Kingdom of Morocco: Promoting Growth and Employment through Productive Diversification and Competitiveness, Country Economic Memorandum, volume I, Rapport N° 32948-MA, March 2006, World Bank.
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Millennium Development Goals Morocco's National Development Agenda ADB's strategic pillars for CSP 2007-2011 Long-term expected outcomes



MOROCCO-STRUCTURE OF TRADE TRANSACTIONS

	2004	2005	2006(**)
TOTAL IMPORTS*	100.0%	100.0%	100.0%
FOOD PRODUCTS, BEVERAGES & TOBACCO	8.6%	8.6%	7.4%
ENERGY AND LUBRICANTS	16.6%	21.7%	21.7%
PRIMARY PRODUCTS	6.8%	6.6%	6.1%
SEMI-FINISHED PRODUCTS	23.3%	22.1%	23.4%
CAPITAL GOODS	22.1%	20.4%	21.5%
CONSUMER GOODS	22.5%	20.5%	19.7%
TOTAL EXPORTS*	100.0%	100.0%	100.0%
FOOD PRODUCTS, BEVERAGES & TOBACCO	17.7%	20.4%	17.8%
FOOD PRODUCTS, BEVERAGES & TOBACCO	2.0%	2.9%	1.9%
ENERGY AND LUBRICANTS	2.9%	3.1%	3.0%
PRIMARY PRODUCTS	6.9%	7.6%	7.7%
SEMI-FINISHED PRODUCTS	26.3%	27.3%	29.1%
FINISHED PRODUCTS	44.0%	38.5%	40.4%
(*) including monetary gold			
(**) End November 2006			

Source: Moroccan authorities

MOROCCO- GEOGRAPHICAL DISTRIBUTION OF TRADE

(in MAD million)

	Imports		Exports		Balances	
	C.A.F		F.O.B			
	2004	2005	2004	2005	2004	2005
EUROPE	106.524	114.954	68.220	71.136	-38.304	-43.818
European Union*	88.670	93.997	65.331	67.413	-23.339	-26.584
France	29.148	32.838	29.521	28.563	373	-4.275
Spain	19.246	19.826	15.358	16.974	-3.888	-2.852
Germany	9.329	8.544	3.004	2.838	-6.325	-5.706
Italy	10.312	11.034	4.100	4.900	-6.212	-6.134
Great Britain	5.217	4.084	6.710	5.857	1.493	1.773
Netherlands	2.621	3.499	2.025	2.772	-596	-727
Belgium-Luxembourg	2.889	3.145	2.068	2.704	-821	-441
Economic Union						
Other EU countries	9.908	11.027	2.545	2.805	-7.363	-8.222
Other European countries	17.854	20.957	2.889	3.723	-14.965	-17.234
Russia	9.263	12.191	772	1.224	-8.491	-10.967
Turkey	3.221	3.525	570	799	-2.651	-2.726
Asia	28.536	38.676	7.352	9.550	-21.184	-29.126
Middle-East countries	12.874	19.695	1.620	2.220	-11.254	-17.475
Saudi Arabia	8.468	12.200	520	750	-7.984	-11.450
Iran	2.454	5.007	345	347	-2.109	-4.660
United Arab Emirates	476	870	121	256	-355	-614
Jordan	20	41	128	139	108	98
Others	1.456	1.577	506	728	-950	-849
Other Asian countries	15.662	18.981	5.732	7.330	-9.930	-11.651
Japan	3.174	3.175	647	995	-2.527	-2.180
India	1.090	1.336	3.001	3.846	1.911	2.510
Pakistan	116	127	698	914	582	787
China	6.602	9.390	441	625	-6.161	-8.765
Others	4.680	4.953	945	950	-3.735	-4.003
America	15.686	15.760	7.009	6.484	-8.677	-9.276
United States	6.501	6.069	3.419	2.492	-3.082	-3.577
Canada	1.402	1.865	412	632	-990	-1.233
Brazil	3.961	4.015	2.312	2.296	-1.649	-1.719
Mexico	62	118	557	423	495	305
Argentina	2.234	2.287	31	161	-2.203	-2.126
Others	1.526	1.406	278	480	-1.248	-926
Africa	6.275	10.379	3.677	5.608	-2.598	-4.771
Egypt	863	1.422	211	202	-652	-1.220
AMU countries	2.613	4.805	1.379	1.218	-1.234	-3.587
Algeria	1.430	3.073	359	447	-1.071	-2.626
Tunisia	753	1.106	533	408	-220	-698
Libya	411	618	289	171	-122	-447
Mauritania	19	8	198	192	179	184
Others	2.799	4.152	2.087	4.188	-712	36
Oceania and others	900	525	1.638	1.580	738	1.055
Total	157.921	180.294	87.896	94.358	-70.025	-85.936

(*) Including 10 new members

Source: Moroccan authorities

Annex

SUBJECT : MOROCCO - 2007-2011 COUNTRY STRATEGY PAPER

CORRIGENDUM *

Please find here below a **corrigendum** to the page de garde and Annex 15 of the above-mentioned document.

I. CORRECTIONS ON THE COVER PAGE

Old Text: OPERATIONS DEPARTMENT – NORTH B (ORNB)
FEBRUARY 2006

New Text: OPERATIONS DEPARTMENT – NORTH B (ORNB)
FEBRUARY 2007

II. CORRECTIONS ON ANNEX 15

Old Text:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
TOTAL EXPORTS	100,0%	100,0%	100,0%
Food Products, Beverages & Tobacco	17,7%	20,4%	17,8%
Food Products, Beverages & Tobacco	2,0%	2,9%	1,9%
Energy & Lubricants	2,9%	3,1%	3,0%

New Text:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
TOTAL EXPORTS	100,0%	100,0%	100,0%
Food Products, Beverages & Tobacco	17,7%	20,4%	17,8%
Energy & Lubricants	2,0%	2,9%	1,9%