

Morocco



key figures

• Land area, thousands of km ²	711
• Population, thousands (2007)	31 224
• GDP per capita, USD at constant 2000 prices (2007)	1 664
• Life expectancy (2007)	71.2
• Illiteracy rate (2007)	44.9

Morocco



MOROCCO

MOROCCO'S ECONOMIC PERFORMANCE in recent years has been remarkable, due to both favourable international conditions and macroeconomic modernisation underlined by reforms to boost competitiveness and diversification. Thriving production sectors greatly increased imports due to increased investment, lower customs duties and strong internal demand. Financial sector reform and stabilisation of government spending has made it easier to attract financial investment since 2001, amounting to an average 2.9 per cent of GDP a year.

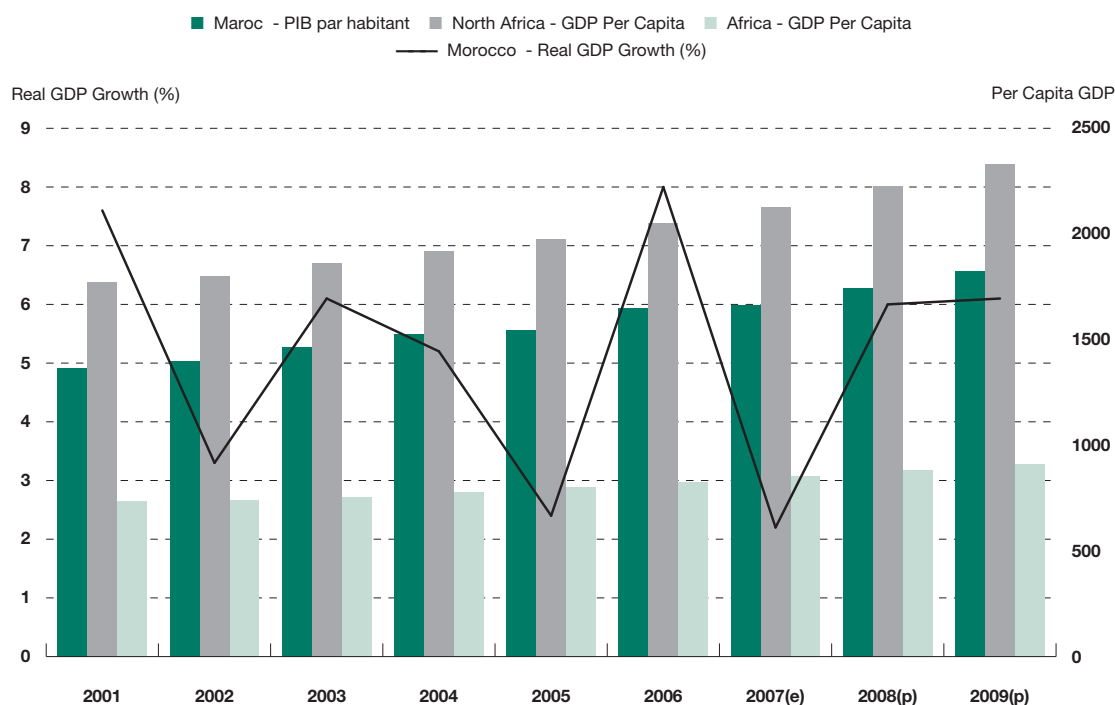
Having signed free-trade agreements with its main trading partners, the country had no choice but to embark on the path of modernising and opening up its economy. The government and private sector have

designed a range of reforms and targeted strategies, focusing on upgrading and expanding economic infrastructure to strengthen the performance of traditional sectors and encourage new high value-added production sectors, such as information and communication technology (ICT), vehicle manufacture and the aeronautics industry.

Modernisation of the administration is crucial to future development.

But despite substantial progress in promoting growth and employment to continue on this path, modernisation of government services and the strengthening of the institutional and legal framework need to be pursued to consolidate its gains and entrench long-term growth and human development.

Figure 1 - Real GDP Growth and Per Capita GDP
(USD at constant 2000 prices)



Source: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.

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Recent Economic Developments

The 2.2 per cent real growth recorded in 2007 fell short of the 3.1 per cent target due to a nearly 18 per cent drop in agricultural production. An exceptional primary sector performance had pushed overall growth to 8 per cent in 2006. Both years showed how the country is still at the mercy of the weather. Growth in 2008 is expected to be 6 per cent if the harvest is average.

Economic diversification continues with an increasing GDP contribution by the secondary and tertiary sectors. Non-agricultural activity expanded 5.6 per cent in 2007 (5.9 per cent in 2006 and 5 per cent in 2005) and this should continue in 2008 (+6.1 per cent) driven by industry, construction and telecommunications.

The primary sector benefited from a good nationwide harvest and buoyant world prices in 2006 and grew by a record 21 per cent. Cereal production topped 92 million quintals (up 114.6 per cent on 2005) thanks to plentiful rain but slumped dramatically in 2007 to about 20 million quintals. It should be better in 2008, at around 60 million quintals, contributing to 12.8 per cent growth in agriculture.

Increased output of other crops, especially agro-industrial fruit and horticultural items, helped make up for poor cereal production. The fruit and vegetable harvest was up 11.4 per cent in 2007 mainly due to an 11 per cent rise in the tomato crop and 13.9 per

cent in miscellaneous vegetables. Potato production rose only slightly (2 per cent), but citrus was up 6.2 per cent and olives 7 per cent.

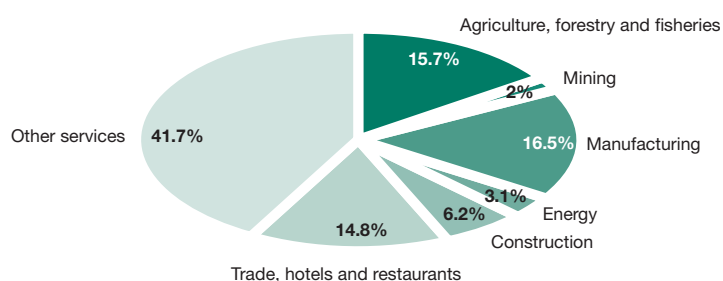
Agricultural exports increased 3.5 per cent (down from 8.9 per cent in 2006) but did not include all the country's flagship crops. Citrus exports had trouble in their traditional markets and were down 18.2 per cent in 2007 (after falling 5.4 per cent in 2006).

Livestock profited from the previous year's good harvest and new measures to protect animals. Fisheries were also expected to continue advancing in 2008, partly due to a coastal improvement programme, modernisation of inshore fishing and processing, and expansion of distribution and marketing networks. Value exports of crustaceans, molluscs and shellfish rose 5.9 per cent in 2007, partly offsetting a 6.4 per cent drop in canned fish and a 2.7 per cent drop in fresh fish. This limited the fall in the primary sector's growth to an estimated 16.4 per cent.


Morocco nevertheless had good economic growth in 2007 thanks to booming secondary and tertiary sectors. Industrial activity growth speeded up 5.5 per cent (from 3.9 per cent in 2006) due to high internal demand caused by the free trade agreements and the European Union's (EU) protection measures against Chinese goods.

Output also increased in industry (5 per cent), mining (8.9 per cent) and energy (3.9 per cent). Textiles were up 13.1 per cent and leather 6.8 per cent year-

Figure 2 - GDP by Sector in 2006 (percentage)



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

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on-year in the first half of 2007. Wood (+15.4 per cent), vehicles (+13.4 per cent) and electrical machinery and appliances (+6.9 per cent) also did well. A January 2008 framework agreement between the government and Renault-Nissan to build a EUR 600 million factory in Tangiers to turn out 200 000 vehicles a year by 2010 should boost the sector. Metal products were up 15.5 per cent in second-quarter 2007, but agro-industry output stagnated with a rise of only 0.3 per cent, reflecting the poor rainfall in 2007. The secondary sector growth prediction for 2008 is 5.7 per cent because of expected good performance in nearly all its branches.

Construction has grown strongly over the past two years – 8.6 per cent in 2006 and 8.7 per cent in 2007 – because of new large-scale government building programmes (housing, motorways, ports, industrial zones and tourist areas). The number of construction sites increased by 6.5 per cent in 2007 (compared with 6.3 per cent more in 2006). It included 18.5 per cent more sales of cement and 34.2 per cent more bank loans to the sector.

World prices remained good for the mining industry, especially for the country's main export, phosphates. Production increased 8.9 per cent in second-quarter 2007 (up from 1.4 per cent over the same period in 2006), due to 11.4 per cent more output of metal ores and 3.1 per cent more phosphates. Energy continued to do well (+4 per cent in the first half of 2007 after falling 1.1 per cent in 2006), with electricity production up 8.9 per cent year-on-year by May because of strong demand by businesses and households and more oil refining (up 1.3 per cent year-on-year by May 2006).

The prosperous secondary sector had a positive effect in 2007 on tertiary activity, which grew 5.7 per cent (5.5 per cent in 2006) with a forecast 6.2 per cent increase in 2008, driven by tourism, telecommunications and financial services.

Nearly 6.3 million tourists visited Morocco between January and the end of October 2007, a 14 per cent year-on-year increase. France is the main source of visitors (2.44 million), followed by Spain (1.34 million), Belgium (370 000) and the United Kingdom (358 000).

This increased tourism revenue 13 per cent to MAD 49.5 billion dirhams (over MAD 43 billion in the same period in 2006). It also benefited registered hotels, which saw a 4 per cent rise in overnight stays to a total of 14.6 million bringing the occupancy rate to 50 per cent over the 10-month 2007 period. Marrakesh and Agadir were the most popular places, with 68 and 67 per cent occupancy, respectively.

Transport and telecommunications continued to do well, stimulated by strong air traffic and mobile phone and Internet activity. Transport, boosted by expanding tourism, earned about MAD 31.4 billion in the first seven months of 2007 (up 10.6 per cent year-on-year). International air passenger traffic (the number passing through airports) grew 19 per cent between June 2006 and June 2007, partly due to the opening-up of Moroccan air space.

Telecommunications also continued to advance and in the first half of 2007 mobile phone subscribers grew 33.2 per cent year-on-year, to a total of 17.6 million. Internet subscribers rose 39.5 per cent (to about 480 000) year-on-year, mainly due to installation of broadband connections. The fixed-line phone sector expanded 89 per cent in 2007 (after a sharp drop in 2006) and had 2 393 767 subscribers at the end of the year, largely because of the introduction of partly mobile fixed lines. Prospects for 2008 are good, with the arrival on the scene of new operator Wana.

The domestic trade sector produced MAD 63 billion of added value in 2006 (contributing 11 per cent of GDP) and employed over 1.2 million people, 40 per cent of them working casually or occasionally, especially in the countryside. The sector was expected to have been boosted in 2007 by the Rawaj 2020 Plan, which aims to restructure the movement of fresh produce through a plan to geographically redistribute wholesale vegetable, fruit and fish markets, along with slaughterhouses.

Internal demand, which was buoyed in 2006 by the primary sector, slowed somewhat in 2007 but still grew 5.5 per cent, with an expected 8.6 per cent in 2008 due to revival of the primary sector and higher rural household incomes. Consumer loans rose 26.3 per

Table 1 - Demand Composition

	Percentage of GDP (current prices)		Percentage changes, volume			Contribution to real GDP growth		
	1999	2006	2007(e)	2008(p)	2009(p)	2007(e)	2008(p)	2009(p)
Gross capital formation	24.8	31.6	8.1	7.4	7.2	2.4	2.3	2.3
Public	3.1	5.5	11.0	9.0	8.0	0.6	0.5	0.5
Private	21.7	26.1	7.5	7.0	7.0	1.8	1.8	1.8
Consumption	78.5	73.8	-0.1	5.5	6.1	-0.1	3.8	4.2
Public	18.0	18.3	4.6	4.4	3.4	0.7	0.7	0.5
Private	60.6	55.5	-1.4	5.8	6.9	-0.8	3.1	3.7
External demand	-3.3	-5.4				-0.2	-0.1	-0.4
Exports	26.2	33.0	2.9	5.0	6.3	1.0	1.7	2.1
Imports	-29.6	-38.4	3.3	5.2	7.4	-1.1	-1.8	-2.5
Real GDP growth, volume						2.2	6.0	6.1

Source: Economy and Finance Ministry data; estimates (e) and predictions (p) based on authors' calculations.

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cent in the first eight months of 2007 and housing loans 24 per cent. Overall investment was up 8.1 per cent in 2007, boosting it to 34.2 per cent of GDP (31.6 per cent in 2006), and should continue to grow in 2008 (by 7.4 per cent), chiefly because of major programmes to speed up infrastructure work and tourist area improvements.

Macroeconomic Policies

Fiscal Policy

Morocco adopted a policy of budgetary consolidation after application of the structural adjustment plans of the 1980s and 1990s. The good economic performance since then has allowed these laudable efforts to increase revenue and control spending to continue.

The overall deficit fell to 2.2 per cent of GDP in 2006 (from 5.6 per cent in 2005) and was 3.3 per cent in 2007. The budget deficit is forecast at about 3.8 per cent in 2008. The improvement in public finances is due to government efforts to make budget policy a key priority and way to achieve economic and social development targets. The focus is on transparency, modernising taxation and control of spending. Streamlining the tax system, making it more rigorous

and broadening the tax base produced 12.8 per cent more revenue in 2006 and 9.5 per cent in 2007. This stemmed from steady growth of the yield from value-added tax, company tax and stamp and registration duties.

But non-tax revenue fell 10.2 per cent year-on-year in the first seven months of 2007 due to 15.6 per cent less money from privatisation and a 6.4 per cent drop in non-tax revenue.

Ordinary expenditure (including the price-subsidy fund) rose 6.4 per cent to MAD 132.1 billion (24.2 per cent of GDP) in 2007 from MAD 124.2 billion (23.6 per cent of GDP) in 2006, reflecting higher spending on goods and services (+10.3 per cent), personnel (+6.4 per cent) and supplies (+16.8 per cent). But subsidies fell 12.4 per cent to MAD 7.3 billion. Investment spending rose 11 per cent in 2007 to MAD 16.2 billion with continued government support for major structural projects focused on fighting poverty.


Predictions for 2008 take account of pressure from world raw material prices. Imported energy products, which the country depends on for nearly 96 per cent of its needs, will continue to be a heavy public finance burden. Subsidies will cost MAD 14.4 billion, including 8.7 billion for oil products. Interest on national debt rose 3.1 per cent in 2007 to MAD 19.5 billion (3.2 per

Table 2 - Public Finances (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Total revenue and grants^a	26.0	22.7	24.3	25.6	25.5	25.3	25.1
Tax revenue	24.3	20.2	21.9	22.3	22.2	22.1	22.0
Grants	0.0	0.3	0.5	0.4	0.4	0.3	0.3
Total expenditure and net lending^a	35.6	27.0	29.9	27.8	28.8	29.0	28.6
Current expenditure	31.3	22.8	26.1	23.6	24.2	24.1	23.6
<i>Excluding interest</i>	26.8	19.3	22.8	20.4	21.0	21.0	20.7
Wages and salaries	10.5	11.3	11.9	11.0	11.2	11.0	10.9
Interest	4.5	3.5	3.3	3.2	3.2	3.2	2.9
Capital expenditure	4.6	4.3	3.8	4.2	4.7	4.9	5.0
Primary balance	-5.0	-0.8	-2.3	1.1	-0.2	-0.6	-0.6
Overall balance	-9.5	-4.3	-5.6	-2.2	-3.4	-3.8	-3.5

a. Only major items are reported.

Source: Economy and Finance Ministry data; estimates (e) and predictions (p) based on authors' calculations.

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cent of GDP), due to 3.7 per cent more interest on the internal debt as it was inflated by excess liquidity in the capital market. The national debt is expected to be 57 per cent of GDP in the medium term. Government debt should continue to be sustainable.

Monetary Policy

Inflation, up 3.3 per cent in 2006 due to strong internal demand and growth of the money supply, will be affected in 2007 and 2008 by erratic prices of oil and other imported raw materials. But estimates of lower inflation (2.5 per cent) in 2007 reflect the fall in agricultural output and thus slower growth of internal demand. This is expected to continue in 2008, with inflation at 2.6 per cent.

The money supply rose 10.1 per cent in the first quarter of 2007 (compared with 7.5 per cent in the same period of 2006) mainly due to a 15.1 per cent increase in loans to the economy, including consumption (+23.5 per cent), housing (+20.3 per cent), Treasury facilities (+17.7 per cent) and capital goods (+11.7 per cent).

The exchange rate of the dirham is still pegged to a basket of currencies dominated by the euro, which was MAD 11.135 in 2007 (11.01 in 2006), while the US dollar weakened to MAD 8.34 (8.765 in 2006).

External Position

Despite the economic integration opportunities of the new Arab Maghreb Union (AMU), inter-Maghreb trade is still small (2 per cent of the country's USD 137 billion total trade in 2007) compared to that with EU countries (66 per cent). The 2004 Agadir Agreement between Morocco, Tunisia, Egypt and Jordan to eliminate tariff and non-tariff trade barriers finally came into effect in March 2007 but has had little impact. Morocco's negligible trade with its southern Mediterranean neighbours illustrates the continued obstacles to trade liberalisation. However, the trade agreement with the EU (which came into effect in January 2006) and bilateral agreements with Turkey and the United States should boost trade with these partners as Morocco wants to expand its ties with Europe to bolster its economic liberalisation. Such efforts are key to making the country into a regional export platform and priority destination for foreign direct investment (FDI).

Internal demand from households and businesses boosted imports 14.9 per cent year-on-year in the first eight months of 2007. These consisted of mainly food products (up 45.8 per cent) because of the bad local harvest due to poor rainfall, wholesale purchases (+16.8 per cent), semi-manufactures (+16.3 per cent), consumer items (+14.7 per cent) and finished machinery products (+12.7 per cent).

Table 3 - Current Account (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Trade balance	-6.2	-11.5	-13.4	-13.8	-14.2	-15.8	-16.4
Exports of good (f.o.b.)	18.9	17.5	18.9	19.3	19.4	19.5	18.8
Imports of goods f.o.b.)	25.0	29.0	32.4	33.1	33.6	35.3	35.1
Services	2.8	5.8	7.2	8.2	8.2	8.3	8.5
Factor income	-2.5	-1.2	-0.5	-0.6	-0.8	-1.0	-0.9
Current transfers	5.4	8.6	9.1	9.6	9.7	9.2	8.9
Current account balance	-0.4	1.7	2.4	3.4	2.8	0.7	0.1

Source: Economy and Finance Ministry data; estimates (e) and predictions (p) based on authors' calculations.


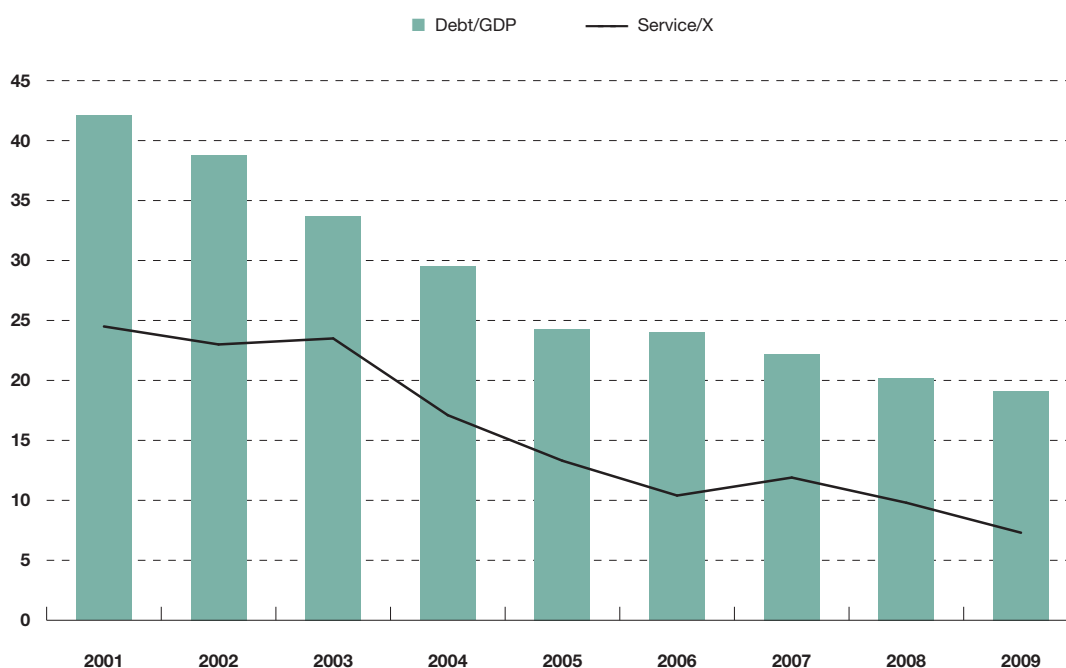

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Figure 3 - Stock of Total External Debt (percentage of GDP) and Debt Service (percentage of exports of goods and services)



Source: IMF.

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Exports rose only slightly (4.5 per cent) over the same period, mainly hosiery (+11.9 per cent), crustaceans, molluscs and other shellfish (+7.5 per cent), fresh tomatoes (+54.8 per cent) and electrical wire and cables (+4.5 per cent). Exports of phosphates and by-products continued to grow (+13.3 per cent). The faster increase in imports over exports meant coverage fell 4.8 percentage points year-on-year to 48 per cent by the end of August 2007. The external current account balance is likely to decline from 3.4 per cent of GDP in 2006 to 2.8 per cent in 2007.

Structural Issues

Recent Developments

The government's extensive reform programme to pave the way for long-term growth that will absorb economic and social deficits continued in 2007, with many steps taken in government services, agriculture, the environment, the financial and private sectors, human resources and social sectors.



Substantial progress was made in government services reform thanks to further introduction of ICT. The 2006-12 Progress Contract to push ICT growth aims to increase the sector's annual turnover to nearly MAD 60 billion and create more than 33 000 jobs. ITC would be introduced into some 50 000 firms to reduce their costs and by 2012 1.8 million people would be connected to the Internet. The E-government Project has already put 42.5 per cent of all government services and procedures online.

The government continued its programme to modernise public services (Parap) – funded by the African Development Bank (AfDB), the World Bank and the EU – focusing on human resources management, control of the wage bill, integrated spending management and pushing e-services.

The 2002 Community Charter furthered the process of devolution and decentralisation, expanding local financial autonomy and general powers, including more say in wealth and job creation. An organigramme of ministries and rules for transferring responsibility to local bodies through perennial contracts was issued in 2002.

Management of public bodies continued to be streamlined through action plans to restructure strategic sectors such as transport, telecommunications, housing, social services, energy and water. The government and private sector are working to revive these sectors. The 2006 Emergence Plan aims to establish the country in the world e-services market and encourage delocalisation and outsourcing of work in new fields such as software development, call-centres and customer services, data-processing and library digitalisation. The plan, which promotes the private sector, is based on support for telecommunications and the Internet and on expanding skills and human resources. It highlights “world-class” local sectors such as textiles, agro-industry and fisheries and aims for 16 per cent GDP growth and creation of 440 000 direct and indirect jobs.

Agriculture is a government priority because of its size (12.9 per cent of GDP, 40 per cent of the working population and 10.5 per cent of 2007 export earnings)

and huge potential. The government designed a programme in 2006 to make agriculture more competitive and improve irrigation policy. Seedlings were 80 per cent subsidised and interest on loans to buy machinery cut by 11 per cent. The sector's productivity was supported by a policy of helping farmers switch from growing cereals and by a programme contract signed between the government and the Crédit Agricole du Maroc bank to set up a funding system for farmers unable to get standard bank loans.

The MAD 500 million Oléa Capital investment fund was set up in 2006 by Crédit Agricole and the French bank Société Générale to promote major industrial olive oil production and a 1 600 hectare farm was funded in 2007 in the Beni Mellal region. The government is also helping marine fishing with the aim of increasing export added-value by MAD 1-2 billion by 2012 and creating 65 000 jobs.

Morocco has been badly hit by global warming and has signed all international agreements to protect the environment. Unreliable rainfall and general aridity means water supply is a major obstacle for agriculture as well as for the public supply of drinking water. The government has a policy for long-term water management and providing clean water. A 2006-08 action plan was drawn up in 2005 to improve irrigation. Programme contracts were drawn up in 2006 by local water authorities and the government to provide purification and sewage treatment facilities, economic use of water, protection against flooding and conservation of water-tables.

The 2003-07 strategic plan enabled extension of clean water supply to towns by the end of 2006. In the countryside, the PAGER programme has managed to achieve 90 per cent coverage and in 2007 provided more than 500 000 days of work as part of its goal to supply 31 000 communities and 11 million people. A major national purification and sewage treatment programme was launched in 2005 to upgrade facilities in 259 towns, restore water quality and reduce pollution 60 per cent by 2010. The goal is to have 80 per cent of the population connected to mains supply by 2015.

The government is boosting growth of the private sector by modernising business laws, resolving tax problems and clarifying the relationship between the government and small and medium-sized enterprises (SME). The launch in 2007 of an Internet website for public procurement contracts was a big step towards greater transparency and competition.

SMEs, as providers of long-term job-creating growth, are a pillar of government policy and facilities and incentives have been introduced to speed up their restructuring and adaptation to new market conditions. The July 2002 SME Charter (Law 53-00) is the framework for government efforts with the private sector to help them by funding start-up infrastructure and providing tax incentives to invest.

The government is also encouraging development of new activities that are a key to economic growth. These include attracting delocalised subcontracting operations in the vehicle, aeronautics and electronics industries. Special zones with proper infrastructure and modern telecommunications, along with incentives, have been established to attract foreign investors and make Morocco a beacon for delocalised services. Two such zones, Casashore and Rabat Technopolis, cost MAD 3.2 billion.

Reform of the financial sector continued in 2006 with a new banking law and new statutes for the Al-Maghrib Bank, both officially coming into effect in July 2007. The Caisse de Dépôt et de Gestion, the Caisse Centrale de Garantie, the post office and microfinance institutions are all now under the banking law and prudential and accounting rules. The Basel II prudential directives also came into force in 2006. A new privately-run risk centre should begin operating in 2008. Funding instruments have also been diversified and their legal framework sent to parliament for approval in July 2007. Amendments to the royal decree concerning on the Casablanca stock exchange came into force in May 2007 and should make it easier for traded firms to raise capital abroad.

An anti-money-laundering law was passed in April 2007 in line with the UN convention which also pledges

to fight funding of terrorism and transnational organised crime. The law will set up a financial information unit.

Morocco has begun to expand its economic infrastructure to take advantage of its geographical position and make itself an international trade and production platform. The government is focusing very strongly on modernisation and enlargement of the transport sector, with projects for high-speed trains and rebuilding ports and airports to suit industry and tourism. They include the Tangiers-Med port complex whose first container terminal began operating in 2007. The motorway network, which should be 1 500 km by 2010, is growing by 160 km a year. The MAD 6 billion Tangiers-Saidia ring-road should be in operation in 2008 and open up the northeast of the country.

Morocco also wants to upgrade its oil-refining capacity and expand its electricity generation and delivery network. The plan is to secure supplies, diversify energy sources, provide energy for all and make energy use more efficient by curbing demand for it. Development partners such as the AfDB are backing a huge programme that is boosting production (which includes building a second refinery by 2012) and extending delivery networks. Current projects will be speeded up, including wind-farms in Essaouira (60 MW), Tangiers (140 MW) and Tarfaya (200 MW), as well as a solar energy plant at Ain Beni Mathar (450 MW).

Technical and Vocational Skills Development

Technical education and vocational training (TVET) is clearly distinguished in Morocco from standard education and has its own ministry and a public structure that organises and provides training; the financially-autonomous national office for vocational training and work promotion (OFPPT). It is crucial for initial and continuous TVET because it received two-thirds of the TVET tax in 2007 and provides about half of all initial training.

The weaknesses and shortcomings of the education system were detected from the 1980s with rising

unemployment, which was estimated at 9.9 per cent of the working population in 2007. Its persistence has led the government to put job promotion at the centre of its economic and social development strategy. The 2000-10 period has been declared a national decade of education and training.

Efforts since 1984 have concentrated on meeting the needs of firms for skilled workers and getting trainees into the job market. Reforms include boosting the TVET sector's institutional autonomy from the rest of the education system and welcoming participation by the private sector and a range of providers. TVET is also regulated at national, provincial and local levels.

The Ministry of Labour and Vocational Training's local offices (which do not cover the whole country) are: the national jobs and skills promotion agency (Anapec), which has 50 branches; the employment department (43 branches); the vocational training department (DFP) (16 branches); and, the OFPPT (10 branches).

Morocco has 1 858 private vocational and technical schools (79 per cent of the total TVET institutions), but the minority of government-run schools train 71 per cent of the students.

Initial training at government centres is free, while private schools are entirely funded by student registration fees. The four sources of funding for initial training are the TVET tax (1.6 per cent of the wage bill of

organisations signed up to the national social security fund), government budget allocations, money from aid donors and family contributions. On-the-job training is funded by the GIAC inter-professional aid and advisory groups and special training contracts (CSF) that are overseen by the OFPPT and run jointly at national level by government, employers and employees.

Funding of TVET in 2007 came from the government (5.4 per cent), the OFPPT (75.8 per cent) and other sources including private schools (18.9 per cent). The Ministry of Labour and Vocational Training was allocated MAD 815.3 million (62.1 per cent for the DFP). Overall funding should rise 4.9 per cent in 2008.


TVET syllabuses are adapted to the general educational level of trainees and offer courses at four levels – “specialisation” (for those who have done five years of primary school), “qualification” (those with nine years of schooling), “technicians” (secondary school graduates) and “specialised technicians” (for graduates).

The number of women trainees is steadily rising and was 44 per cent of the total in 2005/06. The TVET schools have achieved good results and official figures show 70 per cent leave with a certificate. More than half of them (men or women) find a job within nine months, showing that the courses are well adapted to the job market. More and more people are signing up for TVET and the number of pupils rose from 1 33 000

Table 4 - Trainees by Economic Sector

Sector	Total	Women	Percentage of women
Health	5 383	4 343	81
Textiles, clothing	14 048	10 013	71
Handicrafts	12 479	8 432	68
Administration, management	62 827	36 272	58
Hotels and tourism	8 843	3 778	43
Others	8 442	3 499	41
Service trades	31 940	12 227	38
Agriculture	3 064	656	21
Construction	12 975	1 537	12
Metallurgical and electronic industries	26 600	1 252	5
Total	186 601	82 009	44

Source: State Secretariat for Vocational Training, 2005/06.

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in 1999/2000 to 239 000 in 2006/07 and should reach 258 000 in 2007/08 and 300 000 in 2009/10.

Nine new government-funded TVET schools with 1 530 places were opened in 2006/07. The OFPPT has become more active, completing construction, equipping or rebuilding of 15 schools and expanding 16 others.

The OFPPT plans to enrol 185 000 trainees in 2008/09 (12 per cent more than in 2007/08) in the first phase of the 2008-12 five-year plan to train 650 000 young people. The aim is to meet the skills needs of new economic sectors such as vehicle manufacture and aeronautics and supply workers for structural projects, such as tourism and hotels, ICT, construction, transport and agro-industry. The OFPPT plans to open seven new schools, four mixed training centres in partnership with the Mohammed V Solidarity Foundation and four others in prisons with the help of the Mohammed VI Foundation for the Reintegration of Prisoners. This will bring OFPPT's network of schools to 301, including 29 in prisons, in 2008/09.

Political Context

Morocco is politically stable despite security problems from terrorist threats since the May 2003 bombings in Casablanca. It has tense relations with neighbouring Algeria because of the Western Sahara dispute and with Spain, because of the Spanish enclaves of Ceuta and Melilla. Morocco and the Polisario Front held two days of talks about Western Sahara in New York in January 2008 but failed to reach an agreement. Relations with Spain are improving after a diplomatic crisis caused by Spanish King Carlos' visit to the enclaves in November 2007.

The country is a constitutional monarchy where the king has executive powers. A process of opening up and democratising political life began when a two-chamber parliament was installed after a constitutional amendment in September 1996 and parliamentary elections were held in September 2007. The official 37 per cent voter turnout was the lowest in the country's

history, showing people's apathy towards elections but the surprise result was the easy return to power of Morocco's oldest political party, the Istiqlal, which named a prime minister to head a coalition government.

Morocco has made significant human rights progress by strengthening the democratic process and the fight against inequality and gender discrimination. The quest for better governance is based on administrative reforms, state withdrawal from the quasi-public sector, the justice system and transparent management of the budget and public procurement contracts. Steps to bring the justice system up to international standards have been taken, including modernising courts, reforming family jurisdiction, upgrading trade registers, creating an administrative appeals court and increasing and improving human resources.

Social Context and Human Resources Development

Morocco is keen to meet the Millennium Development Goals (MDG), especially gender equality. Some 14.2 per cent of the population live below the poverty line (22 per cent in the countryside and 7.9 per cent in towns and cities). Women are most vulnerable and are barely 30 per cent of the working population. Their involvement in economic activity in 2005 was still only 27.9 per cent, compared with 76.9 per cent of men. The government wants to speed up female inclusion in economic and social development, and gender equality featured in the 2007 budget as part of credit allocation and results-based management.

The National Human Development Initiative (INDH), launched in May 2005, is also a major step in promoting gender equality. By the end of 2006, about 1 600 out of 6 127 projects had been completed and 4 527 were in progress. Income-generating projects rose from 144 in 2005 to more than 1 400 in 2006. Support for vulnerable social groups was provided through 667 local human development projects and approval of 16 regional programmes to combat vulnerability. Local governments raised MAD 2.75 billion in 2006-07.



The government has drafted a strategic health plan to 2015 based on a nationwide medical supply network and extending the reach of healthcare, especially in rural areas. Compulsory health insurance (AMO), a key to basic healthcare, was introduced in August 2005 and has expanded medical coverage from 17 per cent of the population in 2005 to about 34 per cent in 2007. More than 200 000 private sector pensioners, hitherto excluded from AMO services, now benefit from it. Efforts are being made to strengthen healthcare facilities for the very poor, who are covered by a body called RAMED.

Morocco's programme to reform medical coverage (Parcoum), supported by the EU and the AfDB, is in its second (2008-10) phase and is setting up insurance and medical assistance facilities to make healthcare access more affordable. The first phase helped low-income independent workers with a system called Inaya ("care"), which covered about 1 500 000 people in 2007.

Educational reforms are included in the 2008-10 national education and training charter, which aims to have at least 90 per cent of children completing primary education, with special attention to girls in rural areas, and 80 per cent completing junior secondary school.

Efforts are also being made to use educational resources and infrastructure better, improve curriculum design and offer a wider range of courses to meet the needs of the labour market.

The EU, AfDB, World Bank and the French Development Agency are backing the national education assistance programme (Parsem), whose second phase begins in 2008 and aims to reform the strategic framework and make short and medium-term efforts to speed up achievement of key goals of the education and training charter.

The government is giving priority to literacy and wants to reduce illiteracy among the population over 10 years old to less than 20 per cent by 2010 and eradicate it completely by 2015. Extensive literacy campaigns and adult basic education programmes aim to reduce illiteracy among those between 15 and 45 to 9 per cent by 2010 and to 17 per cent among all those over 15. Nearly 1 million adults and 27 000 children not in school should benefit from the programme. A new labour law, along with measures to encourage creation of "Taahil Al Mokawalat" (TAM) businesses to employ jobless graduates, helped to boost the employment rate to 46 per cent of the working population in 2007.

