

COUNTRY PROFILE

**SAMPLE
FOR DISCUSSION**

COUNTRY PROFILE

MOROCCO

MARCH 2015



United Nations
Economic Commission for Africa

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Notes on data source classifications

Data sources for the “At a Glance” summary page and data forecast table have been classified as “good,” “satisfactory,” and “needs improvement”. They are colour coded accordingly.

Data sources in the “At a Glance” summary page have been evaluated for transparency and accessibility for each statistic. The evaluation took into consideration data timeliness, reproducibility, citation, and availability in the public domain. For timeliness, we checked whether the latest year’s data are available. For reproducibility, we evaluated based on whether methodologies were available by the data source, and whether metadata were sufficient for researchers to comprehend how these statistics were produced. Citation criteria evaluated the clearness of the data source, be it from the national statistical offices or international institutions. Finally, public domain criteria evaluated whether data were in an easily accessible, open-access database. We have also provided a numerical index indicating the source of each statistic.

The data forecast table has been classified by data transparency, accessibility and forecasting accuracy for each selected international institution. The scores take into consideration the data reproducibility, timeliness, history, source, format, availability in the public domain, and forecasting accuracy.

Morocco at a glance

General information

Subregion	North Africa
Official language	Arabic
Currency	Moroccan Dirham
Capital city	Rabat
REC memberships	AMU, CEN-SAD

Rankings

HDI	129/187 (2013)	17
Gender Inequality Index	92/149 (2013)	17
Ibrahim Index of African Governance	14/52 (2014)	11
Ease of Doing Business	71/189 (2015)	8
Corruption Perceptions	80/175 (2014)	12

Key demographic indicators

Population (millions)	33.9 (2014)	4
Child (0-14 years)	9.5 (2014)	4
Adult (15-64 years)	22.7 (2014)	4
Aged (65+ years)	1.7 (2014)	4
Urban Population (%)	60.0 (2014)	4
Growth rate (%)	1.41 (2014)	4
Crude birth rate (0/00)	23.2 (2014)	4
Crude death rate (0/00)	6.3 (2014)	4
Total fertility rate	2.8 (2014)	4
Life expectancy at birth (years)	70.8 (2014)	4

Education and employment

Literacy rate (15-24) (%)	83.2 (2015)	13
Net enrolment ratio in secondary school (%)	56.0 (2012)	13
Female	53.0 (2012)	13
Male	58.8 (2012)	13
Employment to population ratio (total) (%)	43.8 (2013)	14
Unemployment rate (%)	9.7 (2014)	14
Youth unemployment rate (%)	20.1 (2013)	1
Population below International poverty line (\$1.25/day) (%)	0.3% (2011)	1

Health

Percentage of children under-5 underweight	3.1 (2011)	3
Prevalence of Undernourishment (%)	<5.0 (2014)	3
Under 5 mortality rate per 1000	30.4 (2013)	15
Infant mortality rate per 1000	26.1 (2013)	15
Neo-natal mortality rate per 1000 live births	17.9 (2013)	15
Maternal mortality ratio per 100,000 live births	120 (2013)	5

Economic performance and inflation

GDP, billion USD	103.8 (2013)	8
Real GDP growth rate (%)	4.4 (2013)	8
Inflation - Annual change (%)	1.2 (2014)	1

Top three crops production

Wheat, thousand tonnes	6,934 (2013)	3
Barley, thousand tonnes	2,723 (2013)	3
Sugar Cane, thousand tonnes	619 (2013)	3

Money and finance

International reserves, million USD	19,563 (2015)	7
Total external debt, million USD	32,777 (2013)	2

Top three minerals production

Phosphate rock (1000 metric tons)	30,000 (2013)	18
Zinc (metric tons)	91,630 (2012)	2
Cooper (metric tons)	58,969 (2012)	2

Government finance

Total revenues and grants (% of GDP)	27.3 (2013)	2
Total expenditures and net Lending (% of GDP)	32.6 (2013)	2
Overall deficit (-) / Surplus (+) (% of GDP)	-5.4 (2013)	2

Use of new information and communication technologies

Mobile cellular penetration rate (%)	128.5 (2013)	16
Individuals using the Internet (%)	56.0 (2013)	16

External sector

Exports - Total, billion Moroccan Dirham*	183.5 (2013)	2
Imports - Total, billion Moroccan Dirham	379.1 (2013)	2
Net ODA, million USD	1,966.1 (2013)	9
Net FDI Inflows, million USD	3,358.4 (2013)	10

Environment

Forest area (% of land area)	11.5 (2012)	8
CO2 emission (1000 metric tons) Per capita metric tons	50,567 (2010)	6
Energy consumption per capita (kg oil equivalent)	1.6 (2010)	6
	464.0 (2010)	6

* Dollar/Dirham average exchange rate for 2013 is 8.4

Data Source Code Index:

- | | | | |
|---------------------------|---------------|--------------------------------|--|
| 1. National official data | 6. UNSD | 11. MO Ibrahim foundation | 15. UN inter-agency group for child mortality estimation |
| 2. ASYB 2014 | 7. IMF | 12. Transparency International | 16. ITU |
| 3. FAO | 8. World Bank | 13. UNESCO | 17. UNDP |
| 4. UN Population Division | 9. OECD | 14. ILO | 18. USGS |
| 5. WHO | 10. UNCTAD | | |

● Good ● Satisfactory ● Needs improvement



Overview

Economic growth will remain high in 2015 thanks to domestic demand. The contribution of net external demand to gross domestic product (GDP) will remain negative, however, despite the expected improvement in global demand for Moroccan goods.

The issue of how to finance the economy is a major challenge for maintaining the current economic momentum of Morocco. The reforms already underway need to be pursued in order to stem rising government spending, including the reform of the *Caisse de compensation*, which subsidizes petroleum products and basic goods.

Morocco has managed to build the foundations for long-term economic development by investing in economic and social infrastructure and promoting high-added value sectors, in particular the so-called “green economy”, in order to better harness the potential of its natural resources and ensure greater macroeconomic stability.

Economic performance

Positive economic trends despite an unfavourable regional context

In 2015, the Moroccan economy is expected to see an increase in agricultural value added,¹ as well as a slight recovery of non-agricultural activities, strengthened domestic demand and improved global demand for Moroccan goods. Thanks to a rebound of the agricultural sector, which reached a growth rate of 5.1 per cent in the first quarter of 2015, and reinvigorated internal demand, national economic growth of 4.8 per cent

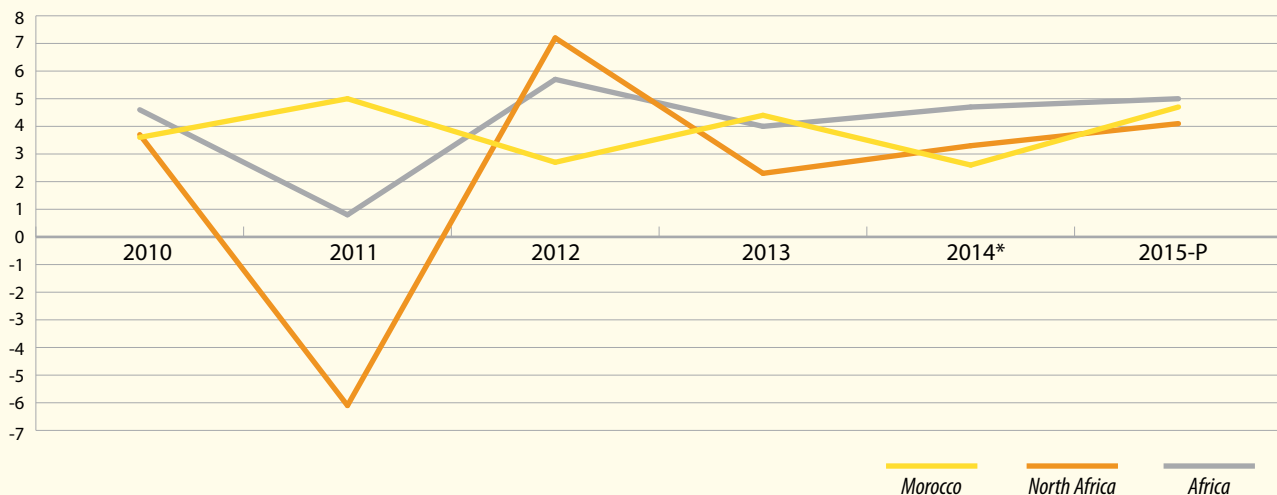
is expected in 2015.² In 2014, economic growth dropped to 2.6 per cent, versus 4.4 per cent in 2013 (see figure 1). This drop is due to the negative contribution of the primary sector to overall growth, following on from an exceptionally good harvest in 2013. Nevertheless, the impact of the decline in primary sector growth was offset by the sustained increase in the production of other crops and agricultural activities, in particular forestry, vegetables and livestock farming. The share of value added by the primary sector in 2014 is estimated at 1.7 per cent, versus 18.7 per cent in 2013. However, the secondary and tertiary sectors are contributing positively to growth, thanks to the recovery of the mining and construction industries (including public works), strong growth in the manufacturing industries (in particular the automotive and aerospace industries and agribusiness), an improved services sector, a good showing by the tourism industry, increased telecommunications activities and the strengthening of business services. The added value created by the secondary and tertiary sectors increased by 3.0 per cent in 2014, against 0.3 per cent in 2013, and by 3.7 per cent versus 2.7 per cent, respectively.

Regarding global demand, household consumption has increased thanks to stable consumer prices and a relative improvement in household incomes, which benefited from the excellent 2013/2014 harvest, remittances from Moroccans living abroad, an improved labour market and increased consumer credit. Investment also remained stable. However, against this positive backdrop, imports of equipment by companies fell,

¹ Budget Economique Exploratoire, High Commission for Planning forecast January 2015 and MFE Note de conjuncture February 2015.

² This is a conservative estimate. Predictions vary greatly because of the uncertainty about agricultural production and Europe's economic recovery (Europe is the country's main commercial partner).

Figure 1
Average annual GDP growth in Morocco, 2010-2015



Source: National data, International Monetary Fund and others.
* Projections for North Africa and Africa

as did foreign direct investment. Overall, household consumption grew by 3.0 per cent, compared to 3.7 per cent in 2013, and contributed 1.8 percentage points to GDP growth, versus 2.2 points in 2013. National consumption contributed 2.4 percentage points, against 2.9 points in 2013. Gross fixed capital formation benefited from the increase in investments in the public sector scheduled for 2014 and the slight improvement expected in economy credits to support private investment initiatives. Gross fixed capital formation increased by 0.8 per cent in 2014, versus 0.2 per cent in 2013, and contributed some 0.6 per cent to overall growth, against just 0.1 per cent in 2013.

Forecast and risk analysis

It is expected that, after a disappointing agricultural year in 2013/2014, the national economy should see an improvement in 2015 in agricultural activity and the continued recovery of non-agricultural activities, supported by strengthening domestic demand. National economic growth is expected to reach 4.8 per cent in 2015, according to the Moroccan High

Commission for Planning. The forecasts put out by international organizations vary between 4.4 and 4.9 per cent.

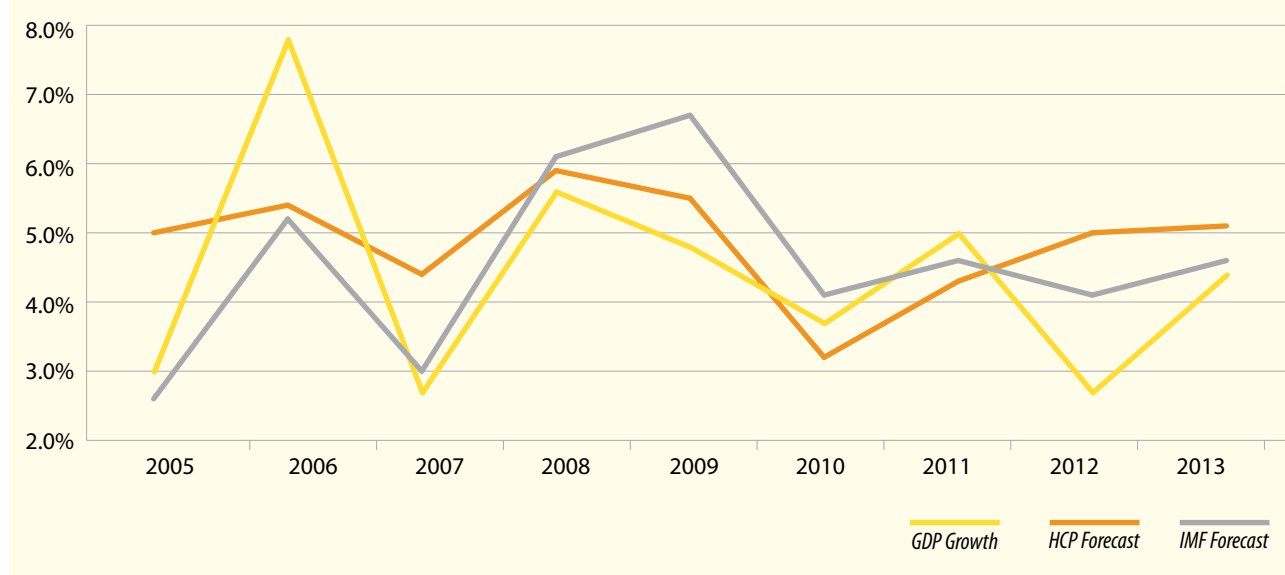
The gap between forecasts and actual growth can be significant. Figure 2 shows the forecast gap between 2005 and 2013, for the Moroccan High Commission for Planning and the International Monetary Fund.

It is expected that these forecasting gaps will persist in 2015. In 2014, they stood at between 3.7 and 4.9 per cent. These gaps are primarily due to the uncertainties surrounding the full economic recovery of Europe,³ the rise in income from tourism and agricultural harvests.

Assessing the accuracy of forecasts generated by the forecaster is carried out using the different methods outlined above. It is worth emphasizing that the Mean Absolute Deviation is scale dependent and therefore,

³ The European Central Bank's unconventional monetary policy (quantitative easing and credit easing), which it implements in the form of government bond purchases and measures to boost credit growth, will only have an impact on recovery if accompanied by a more expansionary fiscal stance in the eurozone as a whole.

Figure 2
Gap between growth forecast and the actual growth, High Commission for Planning and International Monetary Fund



does not provide a robust benchmark to evaluate how accurate the forecasts generated are. As a result, the illustration places emphasis on the Theil's decomposition technique to assess the accuracy of the forecasts provided by the selected institutions (see table 1).

Regarding the real GDP growth rate, since the results from the bias and the variance could not give a conclusive idea of the relative merit of a given data, the joint effect (which is the sum) of the bias and variance is used. And the result shows that the smallest joint effect value is found with data from the Moroccan High Commission for Planning (0.22), followed by the African Development Bank (0.25), the Department of Economic and Social Affairs (0.27), the International Monetary Fund (0.33) and the Economist Intelligence Unit (0.35). Therefore, with regard to real GDP growth rate, forecasts provided by the High Commission for Planning are more accurate (i.e. closer to reality) than those provided by the other four institutions. This is possibly due to

the fact that the Commission, as a national institution, came up with forecasts close to reality owing to its advantageous position to know the movements of the economy compared to external forecasters.

With respect to the inflation rate, the bias component of the decomposition of MSE is the same and relatively the smallest for both the Economist Intelligence Unit and the Department of Economic and Social Affairs (0.03), in comparison to the other institutions' values. In addition, the variance component is the same and smallest for the Department of Economic and Social Affairs and the African Development Bank (0.00). Therefore, since the Department of Economic and Social Affairs has the smallest values for both the bias and the variance, the current year forecasts of the Department of Economic and Social Affairs, with regard to inflation rate, are more accurate than those provided by the other institutions in the specific case of Morocco based on the sample used.





Table 1

Accuracy of the current year forecasts of the International Monetary Fund, the Economist Intelligence Unit, the African Development Bank and the Department of Economic and Social Affairs

	IMF			EIU			AfDB			UNDESA	
	GDP Growth	Inflation	CAB/GDP	GDP Growth	Inflation	CAB/GDP	GDP Growth	Inflation	CAB/GDP	GDP Growth	Inflation
Mean Absolute Devaluation	0.27	1.62	1.31	0.7	1	2.97	1.9	1.25	3.4	0.8	0.53
Decomposition of MSE	1	1	1	1	1	1	1	1	1	1	1
Bias	0.3	0.36	0.2	0.29	0.03	0.05	0.18	0.15	0.06	0.15	0.03
Variance	0.03	0.22	0.35	0.06	0.19	0.11	0.07	0	0.07	0.12	0
Covariance	0.67	0.43	0.46	0.65	0.78	0.84	0.75	0.85	0.87	0.73	0.98

Table 2

Data classification scores for international institutions

Institutions	IMF	EIU	AfDB	UNDESA
Classification score				

Legend  Good  Satisfactory  Need improvement

With regard to current account balance as a percentage of GDP, the joint effect of the bias and variance component is smallest for the African Development Bank (0.13) compared to the rest of the institutions (excluding the Department of Economic and Social Affairs). Hence, the Bank's forecasts, with regard to current account balance data, are more accurate than those provided by the other institutions.

Pessimistic and optimistic data sources

In order to assess whether forecasts for Morocco provided by the Economist Intelligence Unit, the International Monetary Fund, the High Commission for Planning, the Department of Economic and Social Affairs and the African Development Bank

are more optimistic⁴ or pessimistic with regard to real GDP growth rate, inflation and the current account balance, the report uses the relative number of the deviations from the real value of a variable for each variable. Therefore, the percentage of optimistic (pessimistic) forecasts will be equal to the total number of optimistic (pessimistic) forecasts over the total number of forecasts over the period under consideration.

It is particularly interesting to note that four forecasters (the International Monetary Fund, the High Commission for Planning, the African Development Bank and the Department of Economic and Social Affairs) were optimistic when it comes to the country's growth rate, with the International Monetary Fund being

⁴ Forecasts could be optimistic, neutral or pessimistic. However, this profile only focuses on optimistic and pessimistic forecasts.

most optimistic, followed by the High Commission for Planning, the African Development Bank and the Department of Economic and Social Affairs, while the Economist Intelligence Unit's forecasts were pessimistic, i.e. predicting lower values than actual values. Regarding the inflation rate, three institutions (the Economist Intelligence Unit, the International Monetary Fund and the Department of Economic and Social Affairs) were pessimistic (i.e. predicting higher inflation rates than the actual rate) and two institutions (the High Commission for Planning and the African Development Bank) were neither optimistic nor pessimistic. With regard to the current account balance as a share of GDP, the results show that all the institutions were optimistic except the Department of Economic and Social Affairs.

Risk analysis of economic projections is therefore based on the ability of Morocco to act in the areas that underlie the bulk of its

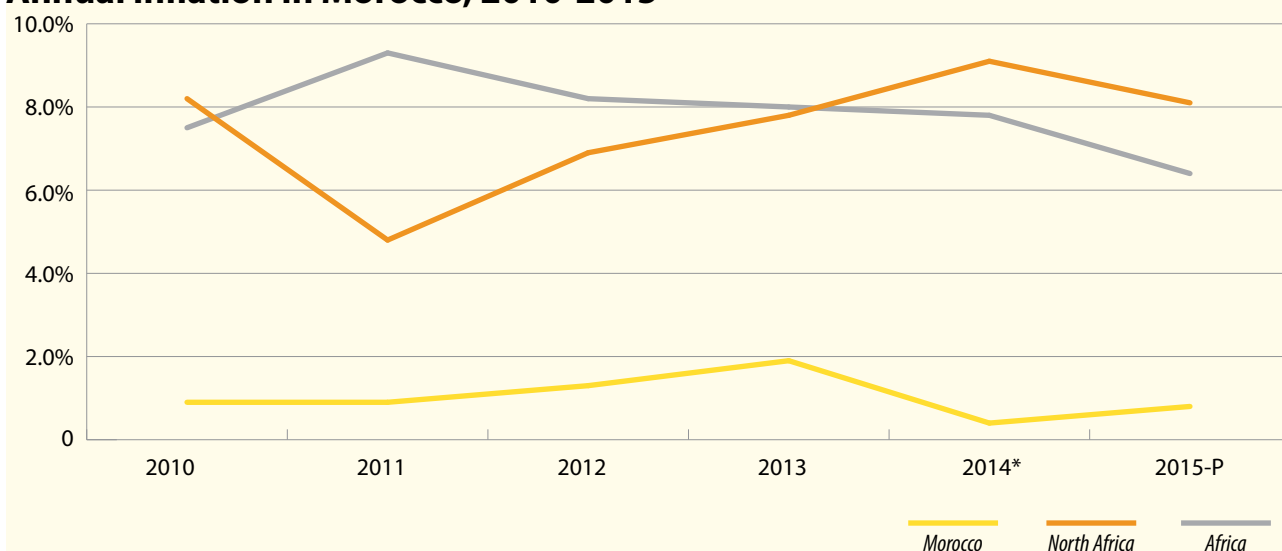
growth. Morocco needs to reverse the decline in income from tourism and remittances, and come up with effective diversification and structural transformation strategies with a view to significantly reducing the country's current dependence on agriculture, which makes it extremely vulnerable.

Inflation, monetary policy and exchange rates

Slowdown in consumer prices

The consumer price index published by the High Commission for Planning for the year 2014⁵ revealed a slight increase of 0.4 per cent in prices against an average of 1.9 per cent in 2013. The rise concerned non-food products, with an increase of 1.6 per cent, in contrast to food items whose prices fell by 1.1%. Forecasts indicate that the consumer price index is expected to be 0.8 per cent in 2015, mainly due to a good agricultural season 2014/2015, improved

Figure 3
Annual inflation in Morocco, 2010-2015



Source: National data, International Monetary Fund and Economist Intelligence Unit, June 2014.

⁵ Situation économique nationale en 2014 et perspectives en 2015, HCP, January 2015

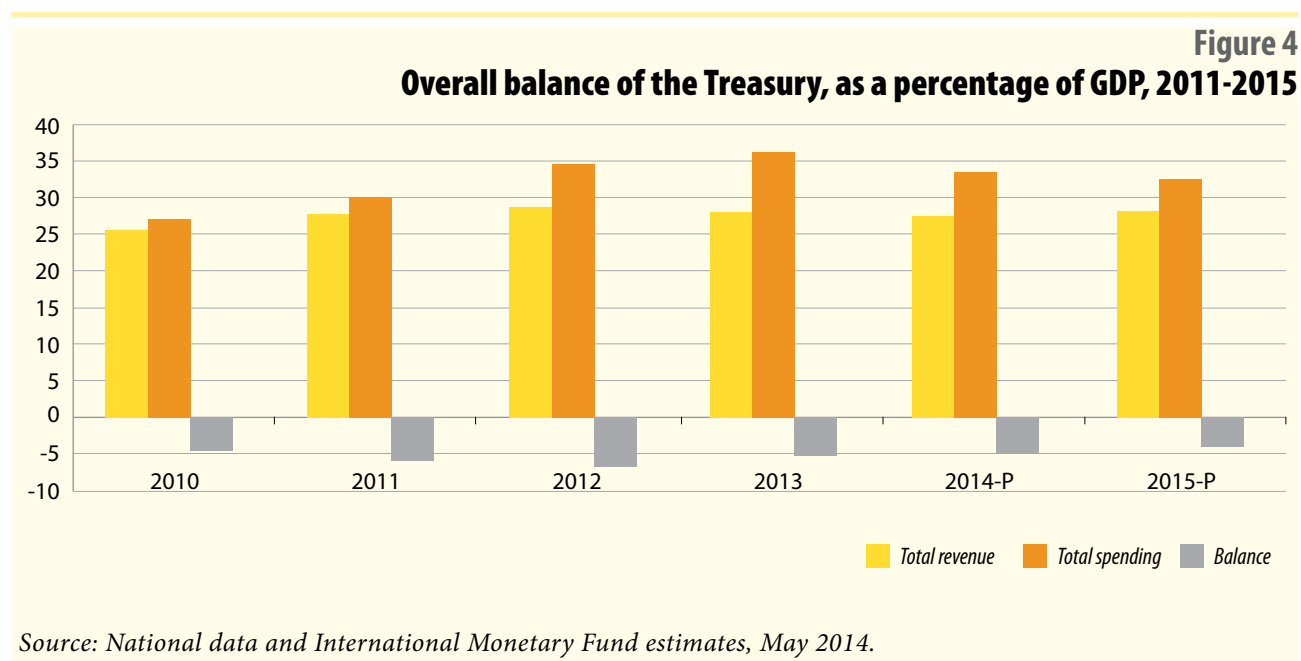
livestock productivity and greater demand for Moroccan products.

In the area of monetary policy, the country's bank liquidity improved towards the end of the first half of 2014, thanks to larger net international reserves and a reduction in the rate of monetary reserves to 2 per cent. Adjusted to take into account seasonal effects, the money supply increased by 4.2 per cent at the beginning of the second quarter of 2014 against 1.6 per cent in 2013, continuing its improvement over the previous year (+3.8 per cent). The rate of increase in bank credit has also improved to 4.4 per cent, after rising to 3.9 per cent in late April 2013, although this was down on the previous month (5.3 per cent). In May 2014, the weighted average of interbank rates fell to 3.02 per cent, down 3 points from the previous month. Regarding net claims on the central Government, the rate of increase had slowed to 8.2 per cent by the end of April 2014, from 29.4 per cent a year earlier

Public finances

Potential for reducing the budget deficit

The Government's determination to rebalance public finances has been confirmed through medium-term fiscal consolidation. The recent measures taken by the Government to strengthen the fiscal framework and manage macroeconomic balances are in line with the economic policies and structural reforms underway to create room for internal and external fiscal manoeuvre and promote stronger, more inclusive growth. In the course of the first half of the 2014 financial year, the Treasury saw the reduction of the budget deficit, which fell from 5.4 per cent of GDP in 2013 to 5.0 per cent. This drop was thanks to a reduction in compensation expenses coupled with an increase in ordinary income, in particular non-tax revenues. Indeed, ordinary revenues increased by 3.5 per cent to 67.2 billion dirhams, while compensation expenses decreased by 5.5 per cent, to 13.1 billion dirhams. In turn, capital expenditure increased by 50.1 per cent, to 22 billion dirhams.



Investment

Slight rise in gross fixed investment

In 2014, total investment increased slightly to 309.5 billion dirhams, up from 304.4 billion in 2013. Gross fixed investment is also expected to increase slightly to 33 billion, versus 31.4 billion in 2013. However, in relative terms, it fell, down from 34.5 per cent of GDP in 2013 to 33.5 per cent in 2014.

In addition to investments in housing and infrastructure, the Government is seeking to, as part of its vision 2020 plan, increase foreign direct investment in sectors such as electronics, textiles, overseas services and tourism. This dynamic has benefited from the good performance of the emissions under the investment state budget, which stood at over 48.3 billion dirhams in 2013, with revenues from foreign direct investment up 25.2 per cent to 40.2 billion dirhams and imports of capital goods companies up by 8.2 per cent to more than 79 billion dirhams, and the recovery of outstanding equipment loans, which had risen by 2.4 per cent by the end of 2013 (39.1 billion dirhams), following a decline of 0.8 per cent a year earlier.

Foreign direct investment as a proportion of inward investment in Morocco

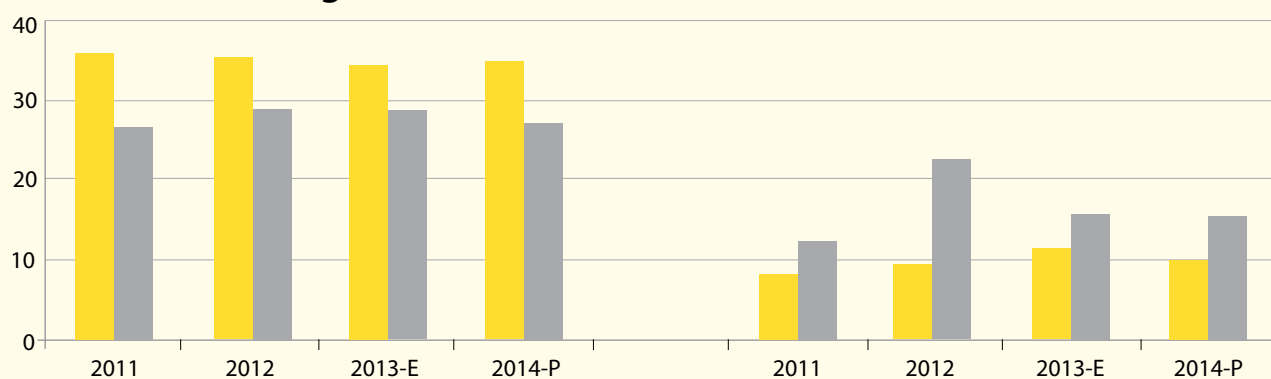
The proportion of foreign direct investment increased from 9.4 per cent in 2012 to 11.3 per cent in 2013, as a result of the slight increase in gross fixed investment, which rose from \$3.4 billion in 2012 to \$3.6 billion in 2013, while foreign direct investment jumped from \$2.8 billion in 2012 to \$3.6 billion in 2013. However, the outlook does not look as positive, and it is estimated that foreign direct investment fell to \$3.3 billion by the end of 2014.

Foreign trade and balance of payments

With regard to foreign trade, the trade deficit in goods and services fell to 6.0 per cent of GDP, versus 7.6 per cent in 2013. It is expected to increase slightly to 6.1 per cent in 2015. The rate of coverage of imports by exports rose to 53.4 per cent, versus 48.4 per cent the previous year. Regarding financial flows, revenue from travel rose by 3.2 per cent compared to May 2013, to reach 21.7 billion dirhams. However, remittances from Moroccans living abroad fell 1.6 per cent to 22.7 billion dirhams. Similarly, foreign direct investment inflows were down 18 per cent to

Figure 5

Grossed fixed investment as a share of GDP (left) and FDI as a share of gross fixed investment (right)



Source: National data, Economist Intelligence Unit, International Monetary Fund data.



9.5 billion dirhams, resulting in a decrease of 42.5 per cent in Government revenue to 11.6 billion dirhams and a decline in spending of 76.1 per cent, to 2 billion dirhams.

In early 2014, exports increased by 5.2 per cent to 82.2 billion dirhams, following on from a slight increase of 0.8 per cent the previous year. Imports also rose by 3.6 per cent from the previous year, with food products seeing the greatest rise (19.5 per cent), in particular wheat (35.7 per cent). Imports of energy products also rose, by 4.8 per cent. Excluding food and energy products, imports were almost stagnant, with an increase of just 0.5 per cent. Purchases of finished capital goods fell by 4.5 per cent. This trend is linked in particular to the decline in imports of machinery for sorting, crushing or grinding agglomerate and industrial vehicles (69.7 and 19.2 per cent respectively). However, imports of parts for commercial vehicles rose 56.6 per cent.

Measuring regional integration dynamics and processes

The African Regional Integration Index is designed to measure how far each country in Africa is integrating with the rest of the continent relative to other African countries. The data collection phase for the Index is currently underway and the results will be presented during the first semester of 2015.

However, one could consider selected indicators from the index for Morocco, even if these have not been scaled, since it would be necessary to get the full range of values across the continent in order to conduct scaling. As can be seen from the data, the country's trade with both Arab

Maghreb Union (AMU) countries and other African countries is low. Imports from AMU countries account for 2 per cent of GDP, which is less than all other AMU countries except Algeria and compares with 6 per cent in Mauritania and 3 per cent in Tunisia and Libya. Exports to AMU countries account for 1 per cent of GDP, which is greater only than the ratio for Mauritania. This compares with 4 per cent in Tunisia and 2 per cent in Libya and Algeria. Trade with AMU countries has, however, been rising steadily since 2005 at an annualized rate of 14 per cent by value.

Trade with the rest of Africa is also low. Imports from Africa account for 3 per cent of Moroccan GDP, putting Morocco forty-seventh in the continent. By contrast, imports from Africa account for 113 per cent of GDP in Lesotho and 46 per cent in Zambia. Moroccan exports to the rest of Africa account for 2 per cent of GDP, putting it in thirty-seventh place. Zambia, with 27 per cent, and Zimbabwe, with 26 per cent, have the highest ratios of any African country in terms of exports to Africa. Nevertheless, Moroccan trade with the rest of Africa has risen significantly since 2005, at an annual rate of 13 per cent by value.

Looking at the other indicators, the quality of transport infrastructure as assessed by the World Economic Forum has been increasing in recent years at an annualized rate of 3 per cent; Morocco currently ranks forty-sixth worldwide on this measure. Merchandise trade complementarity as an exporter to AMU countries has remained relatively stable and lies second only to Tunisia out of the AMU countries, while merchandise trade complementarity as an importer from AMU is the highest of all member countries, with 0.4. Merchandise trade complementarity as an exporter to Africa ranks highly, at equal sixth in the continent, while merchandise



trade complementarity as an importer from Africa is joint first.

In terms of human resource capacities, the proportion of the national budget spent on education has remained stable at around 5.5 per cent. The overall ranking of Morocco in the World Bank's Doing Business index climbed from 87 to 95 between 2012 and 2013. However, its ranking in terms of the ease of trading across borders has fallen slightly from 81 to 83.

The country's openness to other African countries could be better: at present, only 9 countries' nationals do not require visas at all to enter, with a further 12 countries' citizens being able to get visas upon arrival. Morocco has recently given a boost to its traditional commitment and presence in the African economy and raised the level of economic cooperation and investment on the continent. Several sectors are involved in this process. The telecommunications sector, with the presence of Morocco Telecom in Mauritania (Mauritel), in Burkina Faso (Onatel), Mali (Sotelma), Gabon (Gabon Telecom), as well as the banking sector, in particular through Attijariwafa bank, the Banque Populaire and BMCE Bank, present in 19 African countries. Other large Moroccan bodies such as Addoha, Alliances, Saham, Managem and the national electricity and drinking water office are important operators in several countries on the continent.

The nature of the investments made by Moroccan operators, which are highly oriented toward services, suggests more significant future investment dynamics. The financial sector in particular could play a pivotal role for other actors and operators through its ability to facilitate the financial flows associated with such investments.

Social transformation in Morocco

Social trends

Human development

Since the 1980s, Morocco has invested heavily in human development, in particular health, education and diet. As a result, the human development deficit has fallen, with the human development index going from 0.351 in 1980 to 0.491 in 2000 and 0.617 in 2014.⁶

Unemployment

The unemployment rate in Morocco, which crept up from 9 per cent in 2012 to 9.2 per cent in 2013, leapt to 9.9 per cent in 2014.⁷ Youth unemployment (people aged 15–24) increased from 18.6 to 20.1 per cent. Analysis of the unemployed labour force reveals three main important features: it is an urban rather than a rural phenomenon, with four out of every five people out of work living in urban areas (80.9 per cent); it affects young people more, with nearly two in three (62.7 per cent) aged between 15 and 29; and one in ten (11.4 per cent) is a university graduate.

The services sector is the main creator of jobs in urban areas, while agriculture, forestry and fishing create the most jobs in rural areas. The industrial sector, which is currently not contributing enough to job creation, is the sector the country is banking on to boost employment, especially among young people.

Poverty

In the past 20 years, Morocco has virtually eradicated extreme poverty and greatly reduced relative poverty. The rate of extreme

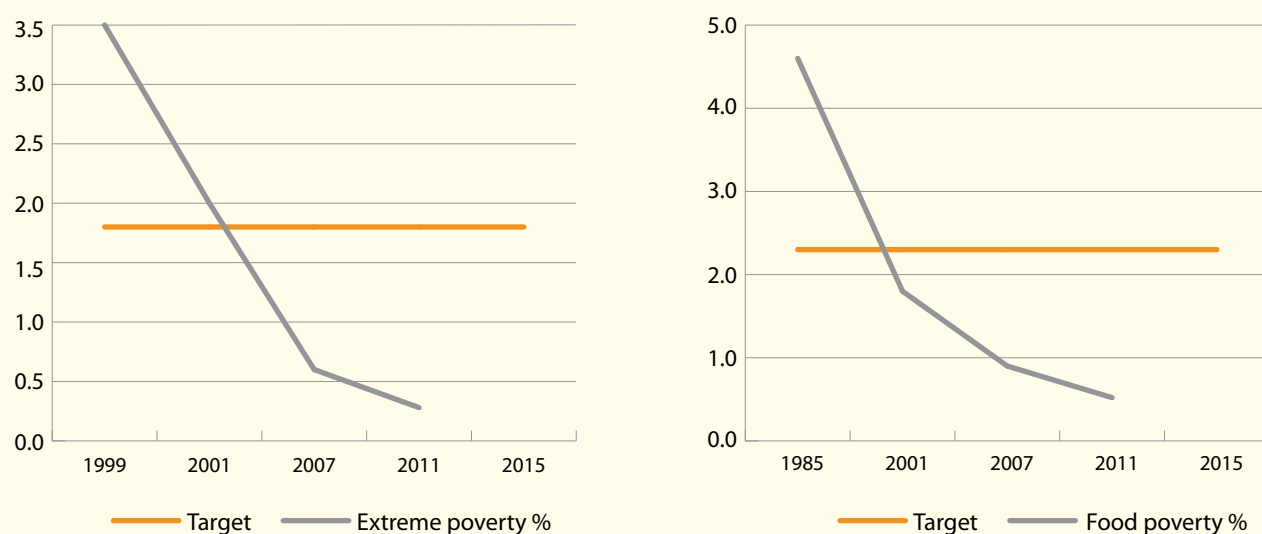
⁶ United Nations Human Development Report 2014.

⁷ Labour market situation in the first quarter of 2014, High Commission for Planning note.



Figure 6

Extreme poverty and food poverty in Morocco



poverty stands at 0.1 per cent in urban areas and 0.5 per cent in rural areas. Relative poverty has been more than halved in the past 10 years. Indeed, between 2001 and 2011, relative poverty was reduced by 59.5 per cent nationally, from 15.3 to 6.2 per cent.⁸

Social development policies

Public investment in social development

The share of social sectors as a proportion of the national budget increased by 52.8 per cent between 1994 and 2012, from 36 to 55 per cent. Over the past 20 years, most progress has been made in the areas of health and education.

National Initiative for Human Development

The National Initiative for Human Development, which is divided into two phases (2005–2010 and 2011–2015), is a nationwide programme aimed at combating poverty, insecurity and exclusion. It has a budget of more than \$3.3 billion, of which

almost 60 per cent has been funded by the State, with the remainder contributed by national and international agencies.

Medical Assistance Plan

Launched in 2008, the Medical Assistance Plan is a programme that gives poor people medical coverage, free healthcare and medical services in health centres and public hospitals. Eventually, it will cover 26 per cent of the population, or 8.5 million people.

Commodity subsidy policy

The commodity subsidy policy, which covers staples such as sugar, edible oils, petroleum products and butane gas, is open to all residents. In 2013, it cost the State 46 billion dirhams (\$5.7 billion), which is about 13 per cent of the national budget.

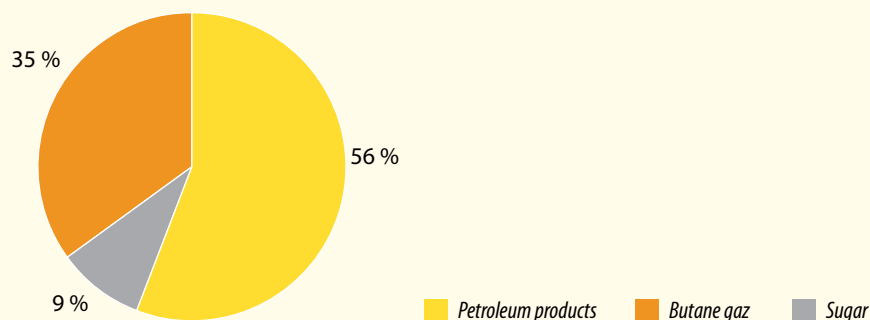
Analysis of spending offsets between different products subsidized for the period January–November 2013 shows that petroleum products received the highest subsidies, accounting for almost 56 per cent of expenditure, followed by butane gas (35 per cent) and sugar (9 per cent).

⁸ 2012 National report on the Millennium Development Goals, UNDP.



Figure 7

Proportion of subsidies going to petroleum products, butane gas and sugar (January - September 2013)



The country's current subsidies system is not effective because it benefits everyone, especially the rich because they are the ones who consume the most butane gas, fuel and sugar. It is estimated that only 9 per cent of the subsidies benefit the poorest quintile of Moroccan society, with 43 per cent going to the richest quintile. The contrast is even more striking in the case of subsidies for diesel fuel, where 75 per cent of subsidies benefit the richest quintile.

Reforming the subsidy system

The subsidies are a major cause of the budget deficit and the country has committed itself to reforming the subsidy system. In September 2013, Morocco introduced an index of petroleum products based on international market prices. The main objective is to reduce the proportion of subsidies to 3 per cent of GDP by 2016, but gradually, to minimize the social impact.

Establishment of a system of direct transfers

The authorities are planning to replace the subsidies with direct transfers in the form of monthly payments to the neediest households. The Government has also intensified and broadened existing social

programmes, especially those that help vulnerable groups, such as children, low-income widows and people with physical disabilities.

Main social challenges and structural social transformation

Although Morocco has made significant progress in terms of human development, it still lags behind its neighbours. Morocco was ranked 129th in the 2014 human development index, behind Tunisia (90th), Algeria (93rd) and Egypt (110th).

Persistent unemployment, especially of young people and women

Youth unemployment remains high at 20.1 per cent, against the national average of 9.9 per cent. The situation is not the same for all young people: urban youth (aged between 15 and 24) have the highest unemployment rate (35.2 per cent). Unemployment is also high among university graduates (22.5 per cent).

Women are more vulnerable than men to problems in the labour market. Indeed, despite the great advances in education, health and contraception, and greater

participation in decision-making, only 25 per cent of women are employed against 73 per cent of men. Similarly, 46.2 per cent of young women living in urban areas are unemployed, against 33.1 per cent of young men.

Regional inequalities continue to hamper social progress

While the Moroccan economic and development model has certainly enabled the country to reduce significantly absolute poverty, it still faces difficulties in reducing relative poverty and inequalities between regions. The disparity between regional poverty and unemployment rates indicates that the benefits of growth are not distributed equitably among the regions. For example, the coastal areas are economically dynamic and less affected by poverty than the mountainous areas and the arid regions of the south, where most of the population living below the poverty line is. The Greater Casablanca region covers just 0.23 per cent of the country but accounts for 15 per cent of the total population and contributes 30 per cent of national GDP.

Human exclusion: a barrier to social progress

ECA developed the African Social Development Index to help member States to assess their current position and progress in reducing human exclusion. The Index produces an estimate of how deeply rooted exclusionary practices are in six key areas of well-being throughout life, by setting a measurable parameter that tracks the differences between those who benefit fully from development and those who are excluded in each area in question.⁹ The Index can also be used to analyse the differential impact of exclusion by region or gender. The Index has been tried out in a number of pilot countries including Morocco to identify exclusion between different geographical areas. The Index ranges between 0 and 6. A value of less than 2.5 indicates a low level of human exclusion, between 2.5 and 3.5 indicates an average level, and over 3.5 indicates a high level of exclusion.

In 2001 Morocco had a national score of 1.56, which fell to 1.102 in 2011; this reflects a relatively low level of exclusion initially

Table 3
Change in the African Social Development Index between 2001 and 2011

Region	2001	2011	Variation (%)
Global indicator	1.56	1.102	-29.5
Region 7: Marrakech-Tensift-Al Haouz	2.34	1.140	-51.3
Region 8: Oriental	1.78	1.121	-36.9
Region 9: Greater Casablanca	1.06	0.832	-21.8
Region 10: Rabat-Salé-Zemmour-Zaër	1.26	0.905	-28.0
Region 11: Doukkala-Abda	2.33	1.281	-45.0

⁹ Neonatal and infant mortality, chronic malnutrition among children under the age of five, literacy rates, youth unemployment (15-24 years), percentage of the population below the national poverty line and life expectancy after the age of 60.



and an improvement of nearly 30 per cent. Nevertheless, the values for the different regions indicated in the table above reveal marked regional differences in 2001, ranging from 1.06 in the Greater Casablanca region to 2.34 and 2.33 in Marrakech-Tensift-Al Haouz and Doukkala-Abda. By 2011, there was a clear reduction in human exclusion and the disparities between regions, with the biggest declines in areas where the Index was over 2 in 2001.

African Gender and Development Index: gender equality in Morocco

Morocco is listed as one of the countries to be covered by phase 3 of the African Gender and Development Index pilot process scheduled to take place in 2014–2015. The Index is a tool designed to present the level of inequality that exists between women and men through the gaps in the various indicators under review. It is a composite index made up of two parts. The first part is the Gender Status Index, which measures relative gender inequalities based on readily available quantitative indicators on education, health, income, time use, employment, access to resources, and formal and informal political representation. The second part is the African Women's Progress Scoreboard, which measures progress in women's empowerment and advancement.

To pilot this tool in Morocco, as was the case for all the other countries covered so far, a National Advisory Panel will be set up comprising representatives from the ministries of gender, health, agriculture, education and justice, as well as the national bureau of statistics, in addition to two independent gender experts and an NGO representative. With the technical help of the Economic Commission for Africa's African Centre for Gender, the Panel will coordinate the preparation of a national report based on the African Gender Development Index.

While awaiting the production of this report, the present country profile presents a snapshot of the Moroccan gender profile using some of the major indicators from the Index.

a) Gender equality in Morocco

As far as the indicator of gender inequality is concerned, Morocco was ranked ninety-second out of 148 countries in 2013. Its value of 0.444 is higher than the world average (0.463), despite the adoption of many reforms and public policies regarding gender. The most important legal reform was the 2004 revision of the Family Code, which safeguards equality between spouses and protects the rights of children. Morocco is party to the key international conventions on gender equality, including the Millennium Development Goals and the Convention to Eliminate all Forms of Discrimination against Women, with the lifting of reservations on certain articles. Morocco has adopted a National Strategy for Gender Equity and Equality, and a 2011–2015 government plan for gender equality. The introduction in 2006 of the Gender-Sensitive Budgeting, Planning and Programming Process is in keeping with the national environment of reform which has targeted in particular women, the underprivileged and the poor.

b) Education

Since the 1980s, women and girls have had better access to education. However, the increase in the literacy rate is far behind goals set by the Government to eradicate illiteracy by 2015. The illiteracy rate decreased from 55 per cent in 1994 to 36.7 per cent in 2012. In rural areas, this rate has significantly decreased from 75 per cent to 51.2 per cent during the same period. This improvement in literacy is due in part to the increased number of beneficiaries of literacy programmes, which increased from



655,478 (including 517,985 women) in 2006 to 702,119 (including 587,088 women) in 2011. Youth (15-24) literacy also saw a big improvement from 58 per cent in 1994 to 84.6 per cent in 2012. This improvement is more significant among girls for whom literacy increased from 46 per cent to 79 per cent, against 71 per cent and 90.1 per cent for boys during the same period.

Great efforts have been made for girls' education, and differences between girls and boys have decreased significantly both in primary and secondary classes. In rural areas, the percentage difference between net enrolment for girls versus boys decreased from 5.3 to 1.1 per cent between 2008-2009 and 2011-2012. However, the high school dropout rate is significant: for every 100 new pupils enrolled in the first grade, only 86 students come to complete primary school in 2011- 2012.

c) Access to basic social infrastructure

Women suffer from the lack or absence of basic social infrastructure more than men. In rural areas, for example, the percentage of households connected to the electricity network was 83.9 per cent in 2009, and the percentage of households connected to the drinking water network was only 43.4 per cent.

d) Limited access to/control of resources

Unpaid workers account for about three quarters of workers in rural areas. For other resources such as ownership of land and livestock, housing, and access to credit, there is no official source of national data by gender. Female heads of businesses account for only 10 per cent of business managers, almost all in urban areas. The percentage of small business owners (World Bank surveys on companies in 2007) is just 13 per cent. Disparities in access to land are a major cause of social and gender inequality in rural areas.

e) Invisible work and vulnerable employment

The proportion of active women within the total active population at the national level is falling. It shrunk from 29.2 to 26.5 per cent from 1999 to 2012. Across Morocco, the most common status for women is that of "family worker", especially in rural areas (in 2012, 47.8 per cent of women and girls were unpaid workers; in rural areas, that figure rises to 73.8 per cent, against 23.9 per cent for men). Independent female workers are the second biggest group, accounting for 19.3 per cent of rural working women (against 40.3 per cent for men), and employees are in the third position, with 5.8 per cent against 31.6 per cent for men.

f) Women in decision-making positions

Women first became part of the Moroccan Government in 1997, when one was made Secretary of State, but since then, the number of women ministers has remained limited (6 out of 38 in the current Government). The 2011 constitutional reform has increased the number of seats reserved for women from 30 out of 325 to 60 out of 395 seats (15 per cent), but this is well below the 30 per cent quota demanded by women's movements. The electoral code has also undergone significant changes to increase the political participation of women (institution of a quota act and a national list of 30 seats reserved for women in the House of Representatives). In addition, women's representation rates in local councils have increased from 0.56 per cent to 12.26 per cent in 2013.

g) Gender-responsive strategies for poverty alleviation

In Morocco, there are considerable socioeconomic disparities and gender inequalities between urban and rural areas. Women are among the most vulnerable groups. However, there is no specific strategy



for improving the lives of women in rural areas. Current programmes to alleviate poverty and exclusion in these areas are part of national or sectoral programmes (namely the National initiative for human development or the Green Morocco Plan), usually funded by international donors. To address these challenges, emphasis must be put on facilitating access of poor women to productive and funding resources, and the promotion of gender equality inside the household and the community. This will help to strengthen women's economic and social empowerment and generate more sustainable dividends to achieve inclusive development.

Emerging human and social development challenges

The demographic transition and changing lifestyles mean that Morocco is facing new health challenges, with a growing number of young people and the beginning of an aging population.

- *Obesity*: among the younger generation, there is a change in lifestyle (poor diet and lack of exercise, which can lead to obesity), which predisposes young people to very costly chronic diseases whose symptoms may occur in the short to medium term. Some 33.7 per cent of the adult population are overweight (pre-obese) and 17.5 per cent are severely obese. The Moroccan High Commission for Planning estimates that some 10.3 million adult Moroccans are obese or pre-obese, of which 63.1 per cent are women.¹⁰
- *Aging population*: the country is facing an increase in a number of age-related diseases such as cancer, hypertension and diabetes. In 2010, the share of the population aged 60 and over was

estimated at 2.7 million; this is set to rise to 10.1 million by 2050, equal to 24.5 per cent of the total population, against 8.1 per cent in 2010.¹¹

In the medium term, the combined effects of rising obesity rates and an ageing population will result in an increase in medical expenditure per capita. Chronic diseases due to weight problems and aging are generally more expensive to treat than communicable diseases. Together, the two phenomena will make health spending rise, putting more pressure on the national budget, at a time when the country is already facing a slowing economy, high unemployment and relatively high levels of taxation.

The aging population will also create medium to long-term structural problems for pension and welfare schemes. Demographic projections show that pension contributions will increase slower than the number of beneficiaries as a result of the aging population. Indeed, worldwide the number of pensioners against the number of workers has fallen from 15 workers for every pensioner in 1980 to 5.8 in 1993 and 3.9 in 2009.¹²

Thematic structural transformation focus

According to the development challenges of each country, a focus on a country-specific structural transformation issue is done once a year. Within its transformative industrialization strategy, Morocco is very dynamic on the green economy part of

¹⁰ Les cahiers sur le vieillissement de la population (N°35, May/June 2011), High Commission for Planning.

¹¹ Effets sur la situation financière du système de retraite et sur l'évolution macroéconomique, High Commission for Planning, 2012.

¹² Effets sur la situation financière du système de retraite et sur l'évolution macroéconomique, High Commission for Planning, 2012.



it. Subsequent country profile issues will address more thematic areas.

Increasing green investment: an overriding objective

As part of its continuing political commitment to sustainable development,¹³ Morocco is resolutely striving to promote the green economy. The country has adopted a national environmental and sustainable development charter¹⁴ and a framework law¹⁵ in an effort to mainstream all public policies into the national sustainable development strategy, currently being finalized. The priorities of the national sustainable development strategy include transitioning to a green economy and accelerating the implementation of the national climate change policy.

A green investment plan has been presented on the margins of the United Nations Summit on Climate Change, which took place in September 2014, in New York. Discussions are underway for the

implementation of a green investment fund, using public and private capital, to encourage businesses to launch sustainable projects.

A road map on green growth and territorial development has been adopted as part of the “Green Growth and Territorial Development” focus group¹⁶ led by Morocco. The country is also involved in initiatives by institutions such as the Global Green Growth Institute, the Partnership for Action on Green Economy (PAGE)¹⁷ and the United Nations Environment Programme, whose Green Competitiveness in the Mediterranean programme started in 2008.

Preparation of a green jobs skills development strategy

Several recent studies have pointed to opportunities in green employment. According to one such study by the Economic, Social and Environmental Council, investments planned in four key green economy sectors (renewable energy, energy efficiency and solid waste and

Box 1: New green pathways for boosting growth and creating jobs

- **Renewable energy (solar, photovoltaic and wind)**
- **Energy efficiency**
- **Liquid sanitation**
- **Waste management and recycling**
- **Aquaculture**
- **Timber industry; developing the potential of the forestry sector**
- **Aromatic and medicinal plants**

¹³ The new Constitution (July 2011) enshrines “the right to sustainable development” and extends the role of the Economic, Social and Environmental Council to environmental and sustainable development issues.

¹⁴ The national charter for the environment and sustainable development adopted in 2012 is designed to enhance the mainstreaming of the environmental dimension in all public and sectoral strategies.

¹⁵ Outline law 99-12 on the environmental and sustainable development charter (January 2014).

¹⁶ MENA-OCDE initiative for governance (2011-2015).

¹⁷ PAGE is a joint (UNEP, ILO, UNIDO and UNITAR) initiative set up to support countries to formulate national green economy strategies by 2020.



wastewater management) amounting to 20 billion euros, should help create 90,000 new jobs by 2020. This would require the formulation of a clear industrial policy and a forward action plan of the skills needed. A map of the employment opportunities and green entrepreneurship conducted under the “yes green”¹⁸ project also confirms the existence of great potential for young people, whose unemployment rate stood at 20.1 per cent in 2014 for those aged between 15 and 24 (High Commission for Planning).

Growing commitment by businesses to environmental issues

In an effort to support businesses in this transition and enhance public-private dialogue, the Moroccan Business Association set up the Green Economy Commission (formerly the Sustainable Development Commission) to encourage and support businesses in their environmental work and commitment to the green economy. It works with the Moroccan centre for cleaner production, which provides technical assistance to industry and supports fund mobilization. Over 55 businesses belonging to the Moroccan Business Association have received the association’s corporate social responsibility label (ISO:26000). The label, created in 2006, is awarded for a period of three years, following an assessment process conducted by an accredited independent consulting firm. While there has been some improvement, the number of ISO:14001-certified firms is still inadequate (from 20 firms in 2007 to some 40 in 2013), and mainly comprises larger businesses. According to Agence internationale Vigeo,¹⁹ while the level of commitment of Moroccan

enterprises to the social responsibility label may be low, it is still one of the highest in Africa, the Maghreb and the Arab world. The number of green tourism businesses also grew from 13 in 2008 to 60 in 2011, although this figure fell slightly to 57 in 2013.

Green economy challenges in Morocco

Unlike its counterparts in the region, Morocco has made major gains in recent years, with declining poverty levels and a relatively diversified industrial structure. The industrial sector, however, has not contributed much to job creation (about 75,000 jobs in the last decade), agricultural productivity growth is low and harnessing of the knowledge and innovation needed for transitioning to a green economy inadequate.

The environmental context is characterized by a steadily advancing desert and degrading forest areas,²⁰ dwindling water resources,²¹ worsening fragile ecosystems, such as oases, and high vulnerability to climate change and natural disasters. Economic activities have led to serious pollution²² from phosphoric acid, fertilizer and ore concentrate production, intensive use of fertilizers in agriculture, industrial and artisanal tanneries, the pharmaceutical industries and processing industries. Over 90 per cent of industrial liquid waste and 50 per cent of domestic waste is thrown into the sea. The coast is suffering from the adverse effects of rapid urbanization and a high concentration of economic activity (80 per cent of industries, 53 per cent of tourism capacity and 92 per cent of external trade).

¹⁸ The UNDP “yes green” project trains young people to establish start-up green businesses, especially in the vulnerable regions of l’Oriental and Tanger-Tétouan.

¹⁹ Vigeo agency, established in 2002, is recognized as a global leader in corporate social responsibility audit and rating. It measures the performance and risks of over 2,500 listed companies worldwide, based on six areas (environment; respect for human rights; development of human capital; societal commitment; work ethics and corporate governance), 22 criteria and 250 indicators.

²⁰ National fuel wood demand exceeds 11 million tons/annum and accounts for 30 per cent of total energy demand. Some 88 per cent of this demand is for rural areas alone.

²¹ Water availability is estimated at 730 m³/capita/annum (2010), compared to 2560 m³/capita/annum in 1960. This quantity, which is well below the water stress threshold

²² Half of surface and underground water resources are polluted (IRES, 2013).



Box 2: Environmental constraints of key economic sectors

Key economic sectors	Environmental constraints	
<p>Agriculture: 15 per cent GDP ; Employment 46 per cent of total assets and 80 per cent of the rural working population; 23 per cent of total exports</p> <p>Cereal production covers 60 per cent of needs (average year); 97 million quintals of cereal (2012–2013)</p> <p>One-third of the production is processed</p>	<p>Uses 80 per cent of water resources for irrigation</p> <p>Consumed 18.7 per cent of total energy (2010)</p> <p>Land degradation and water pollution (fertilizers, solid waste and pesticides)</p> <p>31 per cent of global greenhouse gas emissions (2004 data)</p> <p>High vulnerability to climate change (mainly rain-fed agriculture)</p>	
<p>Fishery: 2–3 per cent of GDP production: 1,000,000 tons (2010)</p> <p>Potential : ≈1.6 mt/annum ≈500,000 jobs</p> <p>Consumption:10kg/capita/annum (Global average: 17kg/capita/annum)</p>	<p>Overfishing of major species</p> <p>Low aquaculture production: To ease pressure on stocks, there are plans to develop aquaculture to produce 200,000 tons by 2020, compared to less than 500 tons in 2012, and create 50,000 direct jobs</p>	
<p>Phosphates and by-products: 3.5 per cent of GDP (2010). 20 per cent of global production (Leading world exporter and third producer country); 24 per cent of total exports (8 million tons/annum). Production estimated at 19.96 mt (2010)</p> <p>Agro-industry: 30 per cent of industrial production; 100,000 jobs; 5 per cent GDP and 2 per cent exports (2011)</p> <p>Fishing industry: 70 per cent of the catch is processed (freezing canning), and 85 per cent exported. 58 per cent of agri-food exports; 6.8 per cent of total exports (DEPF, 2011) and 2.5 per cent of GDP</p>	<p>80 per cent of industries are concentrated on the coast and produce 1.5mt of waste yearly, 256,000 tons of which is hazardous. Only 23 per cent of industrial waste is recycled (2010) and 4 per cent used to generate power</p> <p>988 Mm³/annum of wastewater, most of which is spilled into the sea without prior treatment</p> <p>Leading energy consuming sector</p>	
<p>Forestry: 2 per cent of agricultural GDP 0.4 per cent of national GDP and 50,000 permanent jobs</p> <p>5–7 billion dirhams per annum</p> <p>4 per cent of global cork supply (150,000 quintals/annum)</p> <p>Provides revenue to 50 per cent of the rural population.</p>	<p>Supplies 30 per cent of lumber and industrial timber (600,000 m³/annum). Three times more trees are felled than the forest potential.</p> <p>18 per cent of the national energy balance (11 million m³/annum, i.e. 4 million tradable energy quota of oil), accounting for 30 per cent of total energy demand (including 88 per cent for rural areas). Deforestation, which is estimated at 31,000ha/annum, reduces the capacity of the ecosystem to absorb carbon dioxide.</p>	
<p>Energy: 3 per cent of GDP; 35,000 jobs</p> <p>High energy dependence: 97 per cent</p> <p>Sustained annual growth in demand: 5 per cent (energy) and 7–8 per cent (electricity)</p> <p>Energy factor: 11 per cent GDP (2011) compared to 7.4 per cent in 2009</p> <p>Direct subsidies: 5 per cent GDP (2011)</p>	<p>Primary energy consumption (Mtoe/annum)</p> <p>2009: 15.1</p> <p>2011: 17.3</p> <p>2012: 17.8</p>	<p>Energy intensity</p> <p>2009: 0.48</p> <p>2011: 0.54</p> <p>2012: 0.54</p>
	<p>Energy mix highly dominated by charcoal, gas and fuel</p> <p>Over 52 per cent of global greenhouse gas emissions (2004)</p> <p>Renewable energy (hydro, wind and solar): 7 per cent of national primary energy consumption including 6 per cent hydro and 1 per cent wind (2010)</p>	

While carbon dioxide emissions are low, they continue to rise.²³

The cost of environmental degradation, initially estimated at 3.7 per cent of GDP on average, is way underestimated. The cost of air degradation and its impacts is estimated at 3.6 billion dirhams per annum, about 1.03 per cent of GDP.

Socially, while Morocco has managed to reduce abject poverty levels, the population remains very vulnerable, especially in the rural areas, home to 70 per cent of the poor. The effects of economic growth (4.8 per cent in 2013, according to the High Commission for Planning) and development policies have fallen short of expectations, as social and spatial disparities have not been reduced. Unemployment remains high (9.2 per cent in 2013).²⁴ A thorough reform of the subsidy policy (sugar, cooking oil, petroleum products and butane gas), which cost the State 46 billion dirhams (\$5.7 billion) in 2013, accounting for nearly 13 per cent of the

national budget, is underway, to ensure that low-income earners benefit from it.

The key sectors of the economy (agriculture, industry, energy) have been facing several environmental challenges.

Environmental performance and green economy policies: accelerating reforms

Morocco has made great strides in areas such as air quality monitoring,²⁵ combating global warming, forestry,²⁶ renewable energy development, rural electrification,²⁷ rural potable water supply upgrading and environmental education. Efforts are underway to upgrade facilities for wastewater sanitation (500 million m³ of untreated wastewater annually), solid waste collection, recycling and recovery (4.5 million tons of untreated solid waste annually), reforestation, whose pace is still not fast enough, energy efficiency, sustainable transportation, rational water consumption and non-conventional water resource development. Large-scale

Box 3: New financial instruments currently being introduced

An energy efficiency fund with a capital of €390 million to support industry, building construction and public lighting

Phased reform of energy subsidies

An industrial investment fund to finance the implementation of the new 2014-2020 strategy. The fund will be resourced with 20 billion dirhams.

An eco-tax on packaging to be introduced in 2015

²³ Carbon dioxide emissions rose from 1.84 tons of carbon dioxide per capita in 1994 to 2.21 in 2000, and to 2.51 in 2004.

²⁴ High Commission for Planning note on job market situation in 2013.

²⁵ An anti-pollution bill is underway (EPE, 2014).

²⁶ In recent years, there has been an improvement in the rate of reforestation (40,000ha/annum on average, compared to 25,000 ha/annum in 2005). One million hectares of trees should be planted under the reforestation master plan by 2030.

²⁷ The rural electrification rate rose from 22 per cent (1996) to 96 per cent (2009) and 97.4 per cent (2012).



Box 4 : Examples of special funds and economic instruments

Examples of special funds	Examples of economic instruments
<ul style="list-style-type: none"> • National environmental fund* • Industrial depollution fund • National wastewater sanitation treatment fund • Energy development fund • Hassan II Fund for Economic and Social Development • The national forest fund, which is resourced from taxes on imported timber and forestry proceeds, is used to finance forest conservation, and protection and development • The RENOVOTEL 3 joint funding programme with banks, is designed to upgrade the tourism accommodation industry, by financing capital and non-capital investments, in an effort to improve the quality of services and ensure that environmental issues are taken into account. The partnership is between the Ministry of Tourism, the Central Guarantee Fund, the Ministry of Economy and Finance and the National Hotel Industry Federation) 	<ul style="list-style-type: none"> • Subsidies to ensure widespread water conservation in the agricultural sector and promote water pumping on farms, using solar power • Comprehensive insurance against weather vagaries for smallholders, who receive subsidies for their contributions • An eco-tax,** with nearly 157 million dirhams in proceeds, is allocated to the National environmental fund to develop the plastic waste recycling industry • The Moussanada Siyaha programme is designed to provide subsidies and technical support to tourism sector small and medium enterprises (SMEs) for certification and eco-labelling, energy audit and setting up an environmental management system, in partnership with the Ministry of Tourism, the National Agency for the Promotion of Small and Medium Enterprises, the Ministry of Economy and Finance and the National Tourism Confederation • Premiums to renew the goods transport vehicle fleet (Finance act 2014–2016)

* FNE is an account earmarked for environmental protection and development projects.

** Eco-tax on sales, ex-factory and imports of plastics is fixed at 1.5 per cent ad valorem. It was introduced by the 2013 Finance act and entered into force in January 2014.

institutional, regulatory and strategic reforms have been carried out in recent years.²⁸ The State Secretariat for Water and Environment was upgraded to a sub-ministry under the Ministry of Energy, Mines, Water and Environment, responsible for the Environment (2013). Specialized agencies and institutes, such as the Agency for Development of Renewable Energy and Energy Efficiency, the Moroccan Agency

²⁸ National water strategy (2009); National global warming action plan (2009); Green Morocco Plan for Agriculture (2008); Halieutis strategy for the fishing sector (2009); the new energy strategy, with its "renewable energies" component (2009).

for Solar Energy, the National agency for the development of Aquaculture and the Institute of Research in Solar Energy and New Energies, have been established. Green city projects have also been initiated. Also, several strategic environmental assessments, such as the national municipal solid waste management programme, the Green Morocco and vision 2020 for tourism, have been carried out. Two national strategies on environmental protection and sustainable development, an energy efficiency strategy, a report on the state of the environment, a



study on an environmental compatibility system,²⁹ and the third national communication on climate change are currently being prepared. A just completed environmental performance review spells out the limitations of the environmental compliance control mechanism and the need to ensure that the laws are enforced (e.g. the implementing provisions of the “polluter pays” principle), introduce strategic environmental assessments in national legislation and improve the environmental impact study system. Environmental performance has been taken into account in the new public procurement law (2014). The tourism strategy provides for financial mechanisms to support the development of eco-communities and innovative products on environmental preservation and energy efficiency. The current rating system for tourism establishments, which is under review, will include sustainability standards as part of the compulsory criteria for obtaining a rating.

To back up its environmental policy and related sectoral programmes, the country made use of funding opportunities under international and bilateral cooperation. This entailed mobilizing carbon finance for eight projects registered under the clean development mechanism (3 metric tons of carbon dioxide per annum of mitigation potential) and 13 projects undergoing validation (2 tons of carbon dioxide per annum). Morocco also has a whole array of specific funds and economic instruments.

Key global indicators show strides made

- Eighty-first out of 178 countries on the Environmental Performance Index
- Fifth on the 2014 Global Energy Performance Architecture Index, after

²⁹ The analysis phase of the study on environmental accounting identified three priority pilot accounts: water, waste and environmental expenditure.

Algeria in fourth place and Tunisia in third place, and before Egypt in seventh place and Libya in tenth place

- Leader in renewable energy development in the Arab world, with 71 points on the Arab Future Energy Index, followed by Egypt (53 points), Tunisia (47 points), Algeria (45 points), the Sudan (25 points) and Libya (20 points)
- Leader in the fight against global warming in Africa and the Arab world, ranking fifteenth out of 58 countries, moving up 15 places from its 2013 ranking
- Rabat selected among the 15 green cities in the world in 2010, under the UN-Habitat “100 Cities Initiative”, and has been added to the UNESCO list of world heritage sites.

New industrial policy: opportunity for developing green sectors

The new industrial acceleration plan (2014–2020) is designed to raise the sector’s GDP from the current 14 per cent to 23 per cent and create 500,000 jobs for young people. Measures will be taken to improve the productivity and competitiveness of businesses such as SMEs,³⁰ which account for over 90 per cent of industrial activity, and support the gradual integration of very small enterprises, by setting up a public industrial investment fund involving the banking sector, reviewing the investment charter, forging ties between large corporations and SMEs and very small enterprises and adopting a training system tailored to their needs. There should be convergence between the vision for green economy and this new plan so as to promote priority green sectors and enhance the commitment of businesses to sustainable development.

³⁰ The World Economic Forum ranked Morocco 72nd out of 144 economies in its 2014-2015 global rankings.



Promoting innovation – a major challenge

Innovation is central to industrial integration and the issues facing the green economy. Morocco is ranked 84th out of 143 countries on the Global Innovation Index 2014, after

Tunisia (78th) and above Egypt (99th) and Algeria (133rd). It also ranks fifth in Africa. While progress has been made in infrastructure and human capital, the same cannot be said for the national innovation system, which has not fared well in areas

Box 5: Major sectoral programmes are being implemented to promote the green economy

<p>Solar energy plan (2020)</p> <ul style="list-style-type: none"> • 2020 strategy: Five power stations (with total capacity of 2000 MW), accounting for 14 per cent of electricity requirements • Total cost estimated at 70 billion dirhams • Annual savings: 1 million toe • Emissions prevented: 3.7 million tons carbon dioxide per annum • First station to be commissioned in 2015 	<p>Integrated wind energy programme (2020)</p> <ul style="list-style-type: none"> • 2020 strategy: 2000 MW, accounting for 14 per cent of total power capacity • Estimated total cost: 315 billion dirhams • 280MW in operation and 720 MW being developed • Annual savings: 1.5 million toe • Emissions prevented: 5.6 million tons carbon dioxide per annum • First wind energy farm commissioned in 2014.
<p>Energy efficiency (building construction, industry and transport)- 2030</p> <ul style="list-style-type: none"> • Goals: <ul style="list-style-type: none"> - 12 per cent (2020) and 15 per cent (2030) energy savings - Reduce greenhouse gas emissions by 35 per cent (transport). - Reduce energy bill by 15 per cent - 2030 (ref 2008) • Investment required: over 21 billion dirhams • 40,000 jobs (2020) • Regulatory framework: <ul style="list-style-type: none"> - Act 47/09 on energy efficiency (2010) - Tiered pricing (power consumption) - Energy efficiency code in building construction 	<p>National water irrigation programme</p> <ul style="list-style-type: none"> • Agriculture 2030: save up to 2 billion m³/annum, 1.4 billion m³/annum of which would be in farming • Reconversion of 550.000 ha into localized irrigation (2020) • 330.000 ha equipped with modern water saving systems (2013), accounting for close to 24 per cent of total area, compared to 11 per cent in 2007. • 37 billion dirhams
<p>National household waste management programme</p> <p>2020 strategy: Collection rate of solid household waste: 90 per cent (2020) compared to 80 per cent (2013) Recycling rate: 20 per cent (2020) Controlled dumping grounds: 100 per cent in urban areas (2025) Estimated investment: 37 billion dirhams Over 11,000 direct jobs</p>	<p>National wastewater sanitation plan</p> <p>2020 strategy: 80 per cent connection rate to urban sanitation system, compared to 72 per cent in 2011 60 per cent urban wastewater treatment rate compared to 24 per cent in 2011 Carry out tertiary wastewater treatment and reuse 50 per cent of it by 2020 and 100 by 2030 Estimated investment: 43 billion dirhams Over 10,000 direct jobs</p>

such as business and market sophistication. Moreover, efforts are not well coordinated, financing is inadequate and cooperation between the university and businesses is lacking, as research findings are not well developed and projects not tailored to the needs of the economy. Government financing for scientific and technical research does not exceed 0.8 per cent of GDP (compared to 2.26 per cent for France and 3.4 per cent for Japan). SMEs lack the credit needed to finance research. In an effort to promote technological innovation and enhance research and training in new areas, the country introduced the “Initiative Maroc Innovation” (Morocco innovation initiative), to increase research financing (2 per cent of GDP by 2020, 25 per cent private), set up an innovation support fund (amounting to 380 million dirhams), introduce an innovation cities construction policy, develop science and technology parks and set up specialized research and training institutes. In 2011, the OCP group introduced the Innovation Fund for Agriculture to promote innovation and

entrepreneurship in the agriculture and agro-industry sectors.

Innovative financial instruments support renewable energy development

The renewable energy development programme requires significant funding of over 100 billion dirhams (about €100 billion). An amount of €1.5 billion has already been mobilized by donors such as the African Development Bank, the World Bank, the European Investment Bank, the French Development Agency, Kreditanstalt für Wiederaufbau and the European Union, under a public-private partnership arrangement for the construction of the first solar power plant in Ouarzazate, which is expected to generate 500MW in 2017. Other plants will be built over the period 2018–2020. These financing arrangements combine national public and private funds with foreign ones and use concessional and non-concessional financing mechanisms under multilateral and bilateral cooperation. The

Box 6: Renewable energy development programme

- **Goal: produce 6000 MW of solar, wind and hydro power to reach 42 per cent energy mix by 2020**
- **Investment: over 100 billion dirhams for solar and wind energy**
- **Economy: 25 million toe**
- **Emissions prevented: 95 million tons CO₂/annum**
- **Major institutional and regulatory reforms including act 13-09, which allows businesses to generate green electricity, incorporate it into the grid and ensure interconnection**
- **Maximize the rate of industrial integration**



Société d'investissements énergétiques³¹ has been established and an energy development fund set up.

The ongoing energy subsidy reform (indexing of some petroleum products³² on world prices introduced in 2013) has already led to partial reductions in fuel subsidies for transport vehicles. The electricity pricing system has been revised upwards to reflect the true picture of prices. Interest is growing among major multinationals such as GDF Suez, Alstom, Siemens and ACWA Power, and SMEs. According to the ANIMA-MIPO observatory, Morocco attracted an average of one foreign direct investment per year from 2003 to 2009, three projects in 2010, four in 2011 and seven in 2012. Several wind farms were developed under build, operate, own and transfer arrangements. In 2013, GDF SUEZ and its partner Nareva Holding started construction of the 300 MW Tarfaya wind farm, to provide 40 per cent of the

country's total wind capacity, under a 20-year electricity purchase contract with the national electricity and drinking water office. A clean development mechanism project has been developed for the Lafarge cement works wind farm in Tétouan. It provides 40 per cent of plant's electricity requirements (38 million kw/h) and 30,000 tons of carbon dioxide per year.

Management of household and other waste: involving the informal sector and improving financing schemes

The waste management programme is designed to reduce waste production³³ and treat 20 per cent of waste through recycling, composting and energy production by 2020 (compared to 10 per cent in 2013), and create 150,000 jobs within five years. The priority areas to be tackled are: plastic waste, paper and cardboard waste, used oil, batteries and

Box 7: Used car battery sector

The country produces 674,000 units of used batteries every year, generating about 10,000 tons of waste

- **Three companies specializing in the manufacture of batteries will collect 60 per cent of the used batteries**

Arrangement:

- **The consumer will return the used battery, when buying a new one, or deposit 150 dirhams, in the event the used battery cannot be brought immediately (eco-citizen gesture);**
- **An amount of DH 30 is charged for each battery renewed; and will be used to endow the National environmental fund**

³¹ Société d'investissements énergétiques is a public investment company established in 2010, with a capital of 1 billion dirhams. It is responsible for investing in the equity capital of renewable energy and energy efficiency projects.

³² Petroleum products make up about 55 per cent of compensatory spending.

³³ Production of household and other waste increased from 5.3 mt (2009) to 6.8 mt (2013).



tyres. A unit will be formed at the Ministry of Environment to manage this.

While the local authorities are responsible for household waste management, they may also delegate the work to private operators. Today, this sector, which involves a significant component of the unorganized informal sector, is largely under-developed. This calls for the adoption of a framework to provide prior information on future projects and clearly spell out the responsibilities of stakeholders (mainly the informal sector). The framework should also provide incentives to SMEs and very small enterprises, and should be backed by technical and financial capacity- building, designed to encourage the creation of microenterprises to engage in recycling activities. Government efforts have been centred on creating new sectors and incorporating informal actors. A business plan has been prepared to support the plastic packaging sector and an eco-tax adopted (Finance act, 2013). The regulatory framework for the used car battery sector is being introduced, and a partnership agreement has been signed between the Ministry of Environment, the ministry responsible for small and medium enterprises and informal sector integration, and the battery producers group, in an effort to form an economic interest group and outline institutional, technical and financial mechanisms. The tire and used oils sectors are also being set up. While the processing of waste into energy has potential for development, it is still not a major activity. Two projects to produce energy with biogas from controlled discharges are currently being carried out in Fès and Oujda, and a partnership has been formed with the cement industry to carry out joint incineration of waste. The composting sector is in the trial stage.

Based on the above, it is important to adopt a comprehensive green economy strategy, with precise and measurable objectives and indicators, while working toward the adaptation, convergence and operationalization of the legislative framework, in an effort to cope with the challenges of the green economy.

It is crucial to develop appropriate economic and financial instruments to support the implementation of priority programmes such as energy efficiency and waste management and ensure that the new industrial strategy includes environmental requirements and promotes the expansion of green sectors, innovation and territorial development.



The main objective of the country profiles is to provide a vehicle for the Economic Commission for Africa (ECA) to produce and disseminate country- and region-specific policy analyses and recommendations for economic transformation that will promote sustainable growth and social development; strengthen regional integration, development planning and economic governance; and mitigate potential risks. The process of compiling the country profiles involves continuous collection and harmonization of country data and information, aggregating the indicators for the regional economic communities and other country groupings, and analysing trends to produce timely forecasts.

One of the distinguishing features of the ECA country profiles is that they are anchored on a sound methodology, which is based on the joint gathering of data with credible national sources, including national statistics offices, finance ministries and central banks, and on their timely periodic release. The country profiles are meant to serve a number of clients, ranging from member States to academics, policymakers, civil society and analysts within and outside Africa.



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