

Annex III: Morocco

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I. Morocco MIC specificities

Morocco is a Lower Middle-Income Country with a per capita income below the average of this group of countries and considerably below the average for the region.¹

Democratic institutions and governance

Political system

Morocco is a constitutional monarchy with strong powers attributed to the King. Hassan II (on the throne since 1961) died in 1999 and was succeeded by his son who became King Mohammed VI. The last years of King Hassan's reign already showed some liberalisation of the political system, while the overriding power of the monarchy was to be maintained. Hopes for more liberalisation were expressed with the accession of Mohammed VI, who expressed a commitment to the 'modernisation of monarchy'. However, his modernisation has to take into account strong conservative forces in the Moroccan establishment; Mohammed VI does not seem to be inclined to reduce the role of the monarch in the political system. The role of the king, the policy on Western Sahara and the role of Islam are taboo topics for public debate. Morocco is considered to be 'partly free' by Freedom House, with a score of 5 in both political rights and civil liberty in 2003.

Both political stability and voice/accountability are ranked below the averages; the latter, however, with a clear positive tendency (WBI 2003). In 1998, the left-wing opposition was appointed Prime Minister for the first time by then King Hassan II. Mohammed VI sacked the long-serving Minister of the Interior as a highly symbolic rupture with past governments. The new government made improvements with regard to the human rights situation and democratic reform, but faces severe challenges in economic policy. The elections of September 2002 were seen as the first free and fair elections.

Challenges of government's legitimacy / armed conflicts

The legitimacy of government is not seriously endangered. The conflict in Western Sahara is one notable exception: the Polisario Front fought against the incorporation of the former Spanish colony into Morocco in 1975. Settlers from the Moroccan heartland created a power basis for the Moroccan government. The issue of a UN-led referendum – agreed upon in 1988 – is still pending. The region is relatively calm since the ceasefire in 1991.

Islamist terrorist attacks in Casablanca in May 2003 shook the official Moroccan self-perception as an open and tolerant society. Moroccan national have also committed terrorist acts outside Morocco. Nevertheless, radically politicised Moslems, albeit a growing political force, do not endanger the legitimacy of government. A large number of Islamist radicals were arrested and severely sentenced (in some cases, the death penalty was applied). Government keeps a dialogue with the moderate Islamists (PJD).

Rule of law

The legal system is based on Islamic law and French and Spanish civil law system. The major opposition party, the *Parti de la justice et du développement* (PJD), demands the introduction of the Sharia as a long-term goal. In January 2004, a highly debated new personal and family law was passed which gives women equal rights in marriage and *de facto* restricts polygamy.

Government effectiveness

Morocco's rank with regard to government effectiveness is well above average for the region and for the income group. It ranks even slightly higher than Eastern Europe. The Prime Minister is seen as an able and efficient technocrat.

Corruption

With regard to corruption, Morocco is ranked 70 of 133 countries by Transparency International (along Bosnia-Herzegovina, Dominican Republic, Egypt, Ghana, and Thailand). In the World Bank data, the country is perceived as less corrupt than the regional average

¹ The GNI per capita was at US\$ 1,170 in 2002, as opposed to an average of US\$ 1,400 for LMICs and an average of US\$ 2,240 for North Africa and the Middle East.

and performing above the income group in this area. The new King triggered a campaign against corruption, including trials against allegedly fraudulent civil servants.

II. Role of EU aid and Millennium Development Goals

The overall amount of ODA makes up 1.8% of GNI; albeit it being the most important donor, the influence of the EU via financial flows is therefore limited. Much more important is the EU's position as a trading partner for Morocco.

The Moroccan King is committed to social and economic reform as well as poverty reduction, as is the government since 1998. Morocco has seen some considerable changes and improvements in the human rights situation in the last decade. Governance has improved and society became more diverse. The reform process, however, has limits and is slow.

In the Moroccan context, the poverty impact of aid could be enhanced by promoting the improvement of governance. The slowing down of decision making is partly due to the more complicated government coalition; implementation, however, is partly also slowed down by high centralisation of government. It may well be that endeavours to improve governance will reach a 'glass ceiling' very quickly, as the overruling and untouchable position of the King in the political system determines the high degree of centralisation.

The EU Member States have focused their interventions in Morocco in the following sectors (3 digit DAC):

Post-secondary education	20.8
Water supply and sanitation	13.9
Action relating to debt	7.8
Energy generation and supply	4.4
Transport and storage	4.3

EU donors spend only 1% of their overall aid on governance, i.e. in the DAC sector 'government and civil society'. A little less than one quarter (23%) of the projects in post-secondary education have reported poverty marker, about one fifth of which (21%) with a value of 1 or 2. The rate of projects/programmes with poverty marker is higher in the area of water supply and sanitation. Here, 37% of projects are attributed poverty marker, 30% of which with a value of 1 or 2. None of the action relating to debt or the energy projects have poverty marker above the value of 1.

Poverty

Poverty had declined substantially in the 1980s. However, it increased again in the 1990s, mainly due to very slow economic growth. With the economic difficulties, inequality raised again. Poverty is predominantly rural and has seen a particular increase in rural areas. Mounting population pressure on the cities is a result.

Access to basic services, however, increased in the last decade. This is visible in the rate of access to water, to sanitation and the immunisation rate for measles. Net primary enrolment also increased considerably from 58.2% in 1990 to 88.4% in 2001.

MDGs	1990	1998	2001	2002
Population below US\$1 a day	..	..	2.0	..
Prevalence of child malnutrition	9.5	9.0	..	..
Net primary enrolment ration	58.2	72.3	88.4	..
Percentage of cohort reaching grade 5	75.1	75.0	83.7	..
Ratio of girls to boys in primary and secondary ed	..	..	85.1	..

Under 5 mortality rate (per 1000)	85.0	61.0	46.0	43.0
Immunisation, measles (% of children under 12m)	80.0	88.0	96.0	96.0
Births attended by skilled health staff	31.0	39.6	..	..
Prevalence of HIV female	..	..	..	..
Forest area (% of total land area)	6.8	..	6.8	..
National protected areas (% of total land area)	..	0.7	0.7	0.7
Access to an improved water source (% of pop)	75.0	..	80.0	..
Access to improved sanitation (% of pop)	58.0	..	68.0	..

III. EU Country Strategy Papers

1. European Commission

The period of the CSP for Morocco is 2002 to 2006. It includes the PIN for the years 2002 to 2004. It carries the “Partenariat Euro-Med” on its cover page and repeatedly refers to the Barcelona Process and the MEDA programme, as well as the conclusions of the Marseille conference.

1.1 EC objectives

Reference is made to the objectives of the Barcelona Process and the MEDA programme. Prime goals are the creation of a zone of peace and stability and a zone of prosperity (by the creation of an FTA by 2010), and mutual understanding.

Besides that (“En outre”), the CSP refers to the development policy statement of November 2000, which gives the reduction and ultimate eradication of poverty as goal for EU development policy. The MDGs are not explicitly mentioned.

1.2 Country analysis: Challenges

The country analysis refers mostly to the “Plan de développement économique et social 2000-2004”. Two major challenges are identified: (a) the unemployment rate in urban areas and the increasing poverty and (b) the bad integration of Morocco into the world market. Areas more closely looked at are (i) economic development, (b) institutional development, (iii) special development and regional integration, and (iv) social issues and poverty. The latter is making up about 20% of the section (0.5 pages) and is evenly split into human resource building, i.e. mainly literacy, and basic needs, better social protection and reduction of inequality.

The country analysis proper begins with a positive review of the association process of Morocco (1 page). Migration, particularly ‘illegal migration’, is an issue throughout all sections of the country analysis. The political situation is reviewed and positive reforms are noted, particularly significant progress in fundamental rights and individual liberties. Media rights are a negative point. Illegal migration is particularly dealt with under the sub-section of ‘external situation’. About 25% of the analysis is on the economic and social situation. The first one-tenth of the section (0.3 pages) is dedicated to poverty. Modest (but too weak) economic growth and macroeconomic stability are noted in some detail, as are – generally – improvements in governance.

Consequently, weaknesses in the medium-term are named (on roughly 2 pages) as weak economic growth which “sustains unemployment and poverty”. The social question remains pressing, particularly so with regard to gender inequality (both 0.5 pages). The rest of this sub-section touches on the vulnerability of agriculture, the necessary improvement of

efficiency in the public sector, the business environment, and the necessity of increased investment.

1.3 Past interventions: Assessment

The assessment of past interventions looks at MEDA I (1996-99) and MEDA II (2000-2001). MEDA I financed an overall of €630m, 19% of which was spent on economic reforms, 29% on support for economic transition and 52% on strengthening the socio-economic balance. Payments are lagging behind commitments, partly due to the slow Moroccan administration. MEDA II has a volume of planned €261m, of which 20% is on the adjustment of the financial sector, roughly 20% on adjustment of the health sector, 10% on juridical reforms. Roughly half of the interventions (€120m) shall be spent on adjustment of the water sector.

A separate subsection focuses on interventions of the EIB, which gave €867m in loans to Morocco (between 1996-July 2001). The money was predominantly spent on infrastructure, environmental projects and support for the private sector (e.g. via provision of risk capital). Other, smaller budget lines embrace support for democracy, environmental interventions, HIV/AIDS, co-financing of NGOs, and the fight against drugs. The summary of Member States' interventions takes 1.5 pages, as does the review of IFI and other donors' activities.

In a sub-section on "lessons of the past" – to be found after the focal sectors – the CSP states that the EC has an undisputable lever for the support of reforms and their implementation. Reference is made to several past evaluations of MEDA programmes (i.e. on the regulation, the structural adjustment facilities, the democratisation programme, and budget support). A subsequent risk assessment names uncertainties for the success of Moroccan development policy, among others the elections of 2002 and possible consequences of 11 September 2001. With regard to the latter, possible effects on the migration to Europe are named, as is the increase of social tension due to high unemployment and resulting political instability.

1.4. EC Cooperation Response: Focal Sectors

Two large priority areas are identified as (i) the area of growth/unemployment/poverty/migration, and (ii) the association agreement.

The PIN dedicates half of its funds to the economic and commercial realm. This also covers the "juridical environment and rules" that impact on foreign investment. Three programmes are established in this area:

- (i) reform of public administration (as it is named as one serious handicap for development in Morocco; the aim is a rationalisation of expenses and subsequent funding of priority sectors)
- (ii) reform of the transport sector (which is seen as crucial for the integration into the Euro-Mediterranean area, so as to create growth and competitiveness)
- (iii) technical support for the implementation of the association agreement (aiming at the legal framework for the agreement, which should be made compatible with the EU framework).

A fourth bullet point names support for the Moroccan industrial sector, so that it can be made fit for competition with European enterprises.

The other 50% of the PIN are dedicated to the "social, cultural and human realm" and also gives three avenues for interventions:

- (i) development of human resources (training programmes in Morocco and its participation in the TEMPUS programme)
- (ii) emigration (support for management of migration and special support for the Northern region)
- (iii) environment (largely driven by financing from the EIB).

Also mentioned are agrarian and fiscal reforms. However, the conditions in these two sectors are seen as not yet given for further EC support, even though discussions have started in the Moroccan government. However, the door for future support in these areas remains open.

2. Germany

The German Country Strategy Paper (Länderkonzept) for Morocco dates of September 2002. The paper – as well as sectoral strategy papers – will be updated for the intergovernmental meeting in Rabat in June 2004.

2.1 German objectives

German development assistance claims to support the goals of the Moroccan government. No particular donor goals are explicitly given apart from that.

2.2 Country analysis: Challenges

The CSP names several core problems for Moroccan development: clientelism is named as one of the “main reasons for insufficient progress, pent up reforms [Reformstau] and slowed down development orientation”. The paper names stifling elite groups and stifled groups, e.g. young entrepreneurs, unemployed academics, women, and the trade unions. Further reasons for a lack of development are Morocco’s foreign policy which inhibits the creation of a regional market (territorial quarrels with almost all neighbours, particularly so Spain). The creation of an FTA in 2010 holds large risks due to insufficient competitiveness of a part of the 6300 enterprises in Morocco. In addition, the country lacks employment opportunities (20% unemployment, 30% among people with university degrees). There are large deficits in the Human development with regard to comparable countries; particularly disadvantaged are rural areas and women.

Poverty has decreased between 1980 and 1990 from 21% to 13%, but has risen again to 19% in 1999. Equally risen has the number of people with an income on the or up to 50% above the poverty line (35% to 44% in the last decade). Illegal employment is a vast phenomenon: the informal sector [sic!] employs half a million people full time, a large number of children (girls under 13 as household aid), and about 600.000 people are in smuggling and drug production (cannabis). “The administration and security forces tolerate the production of drugs, which hints at a coalition of interests”. The environment, particularly so water supply and quality, is increasingly becoming a problem. Debt service is binding a huge part of the budget (85%) and is inhibiting the range of manoeuvre of the government which is claiming to be dedicated to a social programme. The conflict potential within the country is rising.

Developmental potential lies in the creation of urban centres, which help in the creation of reform oriented social groups. The Barcelona Process with the EU creates economic pressure to overcome political disputes in the region. The manufacturing sector could gain from the FTA with the EU. Services, in particular tourism, also hold a considerable potential. Other potential for economic activities and growth are fishing (after the end of the fishery agreement with the EU in 1999), improved market access for agricultural products, and renewable energy (water and wind energy plus photovoltaic).

The political situation has improved (already under Hassan II, but particularly under Mohammed VI). However, the reforms are stifled by an old-fashioned bureaucracy and flickering public policy in the wake of parliamentary elections (subsidies with negative long-term effects). The de facto absolute monarchy is not questioned by the new king. Islamic groups gain influence. Positively noted is the decentralisation: the communal level has been strengthened by having been attributed 15% of VAT. Regions shall be reduced from 16 to 9. Civil rights are enshrined in the constitution, but practice “does not always follow Western patterns”. There are three political taboos: (i) the untouchable king, (ii) Western Sahara is a part of Morocco, and (iii) the holiness of Islam. Morocco is a market economy; property rights, freedom of enterprise etc are guaranteed. Slow administrative procedures, relatively high labour costs and taxes, plus lack of investment into human capital inhibit a stronger economic dynamism.

2.3 Past interventions: Assessment

ODA is at 1.3% of GNP (in 2000), as compared to 4.1% in 1990. France and the EU are by far the largest donors (each above € 220m), followed by Japan (€97m) and Germany (€ 55m).

Until the end of the 1980s, the focal areas of cooperation were the agriculture, energy, tourism, infrastructure, support for the phosphate production and education and training. The focus has been narrowed down to the water/sanitation, agriculture, environment/resource management, and training. Other areas were phased out. Some areas saw important structural changes that can be attributed to German cooperation, e.g. a participative approach in the water sector. With regard to training, Morocco adopted the 'dual training system' of Germany. Also active in Morocco are all German political foundations; their areas of particular intervention are indicated. Economic relations, however, are below the expected level. The German-Moroccan Chamber of Commerce, opened in Casablanca in 1997, shall help to improve this.

Due to a lack of central overall coordination of the government, the assessment is conducted within sectors; its results are mixed. The water authority (ONEP) is judged positively. It is, however, slowed down by the political framework beyond its influence. Other areas, such as the health or energy ministry, lack "ownership". Consequently, there is little structural change from smaller successful cooperation.

No precise figures are given. No assessment of the movement towards (or lack of such) the MDGs are undertaken.

2.4 German Cooperation Response: Focal Sectors

The CSP states that Morocco's actions are overall directed towards development; the human rights situation has improved and economic policy tries to prepare the country for the FTA with the EU. The government has decided on wide-ranging reforms; implementation, however, is dragging its feet. The framework for a speeding up of social reforms is seen as particularly unfavourable, also due to costs of the occupation of Western Sahara and the high debt service. Average annual growth of 6% would be needed. Reality is at 2.1%. In 2000, the government has presented a 5-year-plan for development, including: poverty reduction, support for women and the youth, improvements for economic activities and employment, education, and development of the rural area. These priorities address the crucial issues of Morocco. German development cooperation tries to provide funding for these focal areas.

Three major areas for German-Moroccan cooperation are:

- (i) water and sanitation
- (ii) environment / resources management incl. renewable energy
- (iii) economic support (incl. professional training)

There are no figures attributed to the focal sectors. More detailed description relate to past interventions, such as legislative acts that have been drafted or already been approved by Parliament and need implementation. Interaction is concentrated on the government.