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**European Neighbourhood Policy**

**Country Report**

**Morocco**

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## **1. INTRODUCTION**

### **1.1. The European Neighbourhood Policy**

On 1 May 2004, the enlargement of the European Union took place with the accession of ten new Member States. It has brought changes to the EU's political geography offering new opportunities to deepen existing relations between the Union and its neighbours to the East and to the South. The Union is determined to further develop partnerships with its neighbours to mutual benefit, promoting security as well as stability and prosperity. The EU's external borders will not become new dividing lines but the focus of enhanced co-operation.

The European Neighbourhood Policy sets ambitious objectives for partnership with neighbouring countries based on strong commitments to shared values and political, economic and institutional reforms. Partner countries are invited to enter into closer political, economic and cultural relations with the EU, to enhance cross border co-operation and to share responsibility in conflict prevention and resolution. The Union offers the prospect of a stake in its Internal Market and of further economic integration. The speed and intensity of this process will depend on the will and capability of each partner country to engage in this broad agenda. The policy builds upon and reinforces the existing framework of co-operation.

In the present report, the Commission provides an assessment of bilateral relations between the Union and Morocco. It reflects progress under the Association Agreement, and describes the current situation in selected areas of particular interest for this partnership: the development of political institutions based on the values – democracy, the rule of law, human rights - underlined in the Agreement, regional stability and co-operation in justice and home affairs, and economic and social reforms that will create new opportunities for development and modernisation, for further liberalisation of trade and for gradual participation in the Internal Market. The report provides guidance for the preparation of joint action plans, and may also serve as a basis for assessing future progress in the Union's relations with Morocco.

### **1.2. Relations between the European Union and Morocco - The existing contractual framework under the Association Agreement**

Morocco and the European Community first established diplomatic relations in 1960, when a commercial agreement was concluded. In 1976 a first co-operation agreement was signed.

The **Euro-Mediterranean Partnership** inaugurated at the 1995 Barcelona conference established a policy with ambitious and long-term objectives. The three main fields of activity within the Barcelona process are (a) the political and security partnership, (b) the economic and financial partnership, and (c) the partnership in social, cultural and human affairs. Morocco strongly supports the Barcelona process and has stressed the role of sub-regional co-operation. The Association Agreement with Morocco sets out in more detail the specific areas in which the Barcelona process objectives can be developed bilaterally with Morocco. In the political dialogue, Morocco has been one of the more open partners as regards human rights and democratisation. Morocco is particularly keen to develop co-operation on security and defence policy (ESDP), and already participates in EU-led peace-keeping activities in the Balkans and in Africa.

The EU-Morocco **Association Agreement** which entered into force on 1 March 2000 now forms the legal basis of EU-Morocco relations. The agreement emphasises the importance of human rights, democratic principles and economic freedom; the need to strengthen peace, political stability and economic development in the region by encouraging regional co-operation; the need to open a regular political dialogue in bilateral and international contexts on issues of common interest; and the need to maintain a dialogue on scientific, technological, cultural, audio-visual and social matters to the benefit of both parties.

The Agreement will gradually establish free trade in industrial products, for which the EU has already granted free access, whereas Morocco has committed to a tariff dismantling over a period of 10 years starting in March 2003. As regards agricultural products, new mutual trade concessions entered into force in January 2004. A “rendez-vous” clause is established for 2007 to continue the dismantling process for tariffs on these goods. Regarding liberalisation of trade in services, negotiations for a Free Trade Agreement with EC should start in 2004. Furthermore, the agreement has provisions on freedom of establishment and the liberalisation of services, free movement of capital and competition rules, the strengthening of economic co-operation on the widest possible basis and co-operation on migration and social affairs, as well as cultural co-operation. Regarding the liberalisation of services, the Commission agreed to start negotiations in 2004.

The Agreement establishes an Association Council and an Association Committee both of which have met three times since 2000. In February 2003, the Association Council adopted a new structure and working method, with theme-based sub-committees. This should allow full use of the opportunities offered by the Agreement and facilitate bilateral cooperation beyond the existing framework. The six new sub-committees are: i) Internal market, ii) industry, trade and services, iii) transport, environment and energy, iv) research and innovation, v) agriculture and fisheries, and vi) justice and security. A new Sub-committee on Human Rights, democratisation and governance was also agreed in 2003, and working group meetings on migration and social affairs were held.

Morocco is one of the four signatories of the **Agadir free trade agreement** with Tunisia, Egypt and Jordan, which is also open to other countries.

Morocco is the leading beneficiary of **community assistance** among Mediterranean partners. Since 1995, €1.1 billion has been committed. Community assistance is delivered both through traditional projects and sectoral budget support. **MEDA** funds have been concentrated on a limited number of priority sectors. A *Strategy Paper* was presented in 2001, focussing on implementing the Agreement, fostering jobs and growth, and reducing poverty.

	MEDA I					MEDA II				Total
	1995	1996	1997	1998	1999	2000	2001	2002	2003	1995-2003
Commitments € million	30	-	235	219	172	140.6	120	122	142.7 )	1.181.3

\*) This figure includes part of the overall allocation. Tempus Programme not included.

The National Indicative Programme (NIP) 2002-2004 amounts to €426 million. The National financing plan for 2004, scheduled to be submitted to the MED Committee in June 2004, will include public administration reform (€79 million). The following projects, approved in 2003, will also be committed in 2004: €42 million of the €70

million allocated to development of the northern provinces are earmarked for the construction of the “Rocade méditerranéenne” link road; €7 million for interest subsidies (waste disposal for Moroccan towns – Oujda); €4.79 million for ONEP IV (environmental protection); €9 million for ONE (pollution clean-up at the Mohammedia power station).

The NIP 2005-2006 has been finalised putting additional emphasis on improvement of living conditions. It specifically addresses Human Rights issues. Following the terrorist attack of 16 May 2003 in Casablanca, the NIP foresees a substantial allocation for the eradication of bidonvilles (low-standard housing).

Morocco participates in Euro-Med programmes such as Euro-Med Youth, which promotes people-to-people contacts and co-operation between actors of civil society, associations and NGOs in the youth field. The same applies to the Euro-Med audiovisual and Euro-Med heritage programmes for co-operation in the audiovisual and cultural sectors. Regarding higher education, Morocco is eligible for participation in the Community programmes Tempus and Erasmus Mundus.

Morocco has been allocated support under the European Initiative for Democracy and Human Rights (EIDHR) in the context of regional projects in the years 2002-04. EIDHR supports civil society initiatives that aim to promote democracy and human rights.

In the recent past, Morocco continued to be an important beneficiary of EU aid programmes, including structural adjustment facilities (SAF). Since end-1995, a total of €917 million has been committed in favour of Morocco, of which €342 million has been devoted to SAF operations. Current SAF operations target reforms in the financial sector, the health insurance system, water management and the transport sector. One additional SAF operation is under preparation, focussing on public administration reform.

MEDA programme support is supplemented by funding for risk capital and interest subsidies for loans from the **European Investment Bank** (EIB). Among the target sectors are: construction and improvement of motorways and rural roads, upgrading of sewage and water-supply systems, waste disposal for Moroccan towns, rail network improvement and development of the banking sector.

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Relations with the EU are Morocco's political priority. The country has given the new **European Neighbourhood Policy** a very warm reception and has been very co-operative regarding its implementation. Morocco particularly welcomes the prospect of a bilateral, differentiated approach that takes account of the degree of political will and actual capacity exhibited by each partner, with a view to developing relations in a way which accurately reflects each country's specific situation. In this respect, the strategic use of the neighbourhood policy is precisely what Morocco has asked for. Morocco also supports the idea of using the new policy as a support framework for sub-regional Maghreb projects and the Agadir process.

## **2. POLITICAL ISSUES**

### **2.1. Democracy and the rule of law**

Morocco's 1962 Constitution defines the country as a “**constitutional, democratic and social monarchy**”. King Mohammed VI, who came to the throne in 1999, is the “supreme representative of the nation and commander of the faithful”. The King presides

over cabinet meetings, promulgates laws, and signs and ratifies international treaties. He is commander-in-chief of the Armed Forces and presides over the Supreme Council of the Magistracy. Though a separation of powers is enshrined in the constitution, in practice the sovereign retains a significant number of executive prerogatives and exerts a certain amount of legislative power.

**Parliament** is made up of the House of Representatives and the House of Counsellors. Its powers are still limited despite the new ones conferred on it by constitutional amendments in the 1990s. There are currently 325 seats in the House of Representatives and 270 in the House of Counsellors. By and large, both Houses have the same legislative powers and powers of scrutiny over the Government. However, the House of Representatives has the power to adopt a Government bill, by an absolute majority, even if the two Houses are unable to reach agreement. Since the adoption of the new electoral code in May 2002, Parliament is elected by a proportional-representation list system, with a 3% minimum threshold at local level.

The last general election in September 2002, which was reported to be largely free and fair, saw the re-election of a broad coalition under the leadership of Driss Jettou, who has no political affiliation. For the first time, 35 women were elected, thanks to a special system of national women-only lists. The turnout at the last election was relatively poor at around 50%.

Morocco's constitution guarantees a multi-party system. There are currently 29 parties represented in Parliament. At present, the biggest parties in the ruling coalition are the Socialist Union of Popular Forces (USFP), the Istiqlal conservatives and the Berber-speaking parties of the Popular Movement. The moderate Islamists of the Justice and Development Party are main opposition. Parties receive state funding, based on votes received and the number of their seats in Parliament. At present, the parties are quite highly centralised, the focus tends to be on personalities rather than posts and the parties are institutionally weak.

The constitution gives the King the power to appoint the Prime Minister and, on the latter's recommendation, the other members of the **Government**. By convention, certain ministries are referred to as "sovereign ministries" (in the current Government these are the Foreign Ministry, the Ministry of the Interior, the Ministry of Islamic Affairs and the Ministry of Defence); these are headed by people chosen by the King. The Government is answerable to Parliament and to the King.

Moves to create a more **decentralised** system of government and to strengthen local government started with the constitutional amendment of 1992 and continued with legislation in 1997 and a new communal charter in 2001 (which entered into force in October 2003). The emergence of a decentralised regional system has been accompanied by a process of administrative devolution in the form of an increase in the number of territorial bodies and the presence of representatives of the central administration within those bodies. The King, backed by the Government, continues to stress the importance of devolution. At present, the system of local government consists of regions, *préfectures*, provinces and communes with a legal personality and financial autonomy.

The Moroccan **judicial system** includes common-law courts, specialist courts and exceptional courts. There are several types of common-law courts: communal and district courts, courts of first instance, courts of appeal and the Supreme Court, which has a supervisory function, ensuring that the law is correctly implemented and interpreted by the other courts. There are three categories of specialist courts: commercial courts, administrative courts and the High Court. There are two exceptional courts: (a) the

Special Court of Justice deals with corruption, abuse of influence and misuse of public funds by civil servants; it is due to be abolished when a bill, introduced in January 2004 and scheduled for adoption in the near future, transfers the court's function to the country's five main courts of appeal, and (b) the Standing Tribunal of the Royal Armed Forces, which deals with breaches of the military code of justice.

The constitution formally guarantees the independence of judges, gives them security of tenure and establishes a Supreme Council of the Magistracy, presided over by the King, as a self-regulatory body. Moves are under way to ensure the impartiality of judges.

Steps are being taken to improve access to justice. A new code of criminal procedure entered into force in October 2003 and progress has been made towards simplifying procedures, improving the legal aid system, reducing the length of trials and execution of sentences.

The Moroccan **civil service** exhibits the typical features of a centralised hierarchical bureaucracy: a system of pay based on seniority with no relation to skills or performance and passive management. This explains Morocco's poor administrative capacity despite a wage bill amounting to 12.5% of GDP.

The staff regulations for Moroccan civil servants are derived from the French model. The World Bank is working with the European Commission to produce a support programme for reform of the budget and of human-resource management, which includes a revision of the staff regulations. The programme should be finalised before the end of 2004.

Transparency International ranks Morocco 70<sup>th</sup> out of 133 countries in its corruption-perceptions index in 2003. **Corruption** thus remains a serious problem and is perceived as one of the main causes of the country's economic backwardness.

The Civil Service Ministry has launched initiatives aimed at increasing administrative transparency. In April 2002 the National Commission launched a campaign on the evils of corruption. Morocco is currently drafting an anti-corruption law aimed at codifying all the measure taken in this field in line with the UN convention on corruption, which Morocco has signed but not yet ratified.

Morocco takes part in World Bank anti-corruption activities and the Government sends representatives to meetings organised by the United Nations Development Programme (UNDP)

## **2.2. Human rights and fundamental freedoms**

Over the last few years, Morocco has started to build up a body of human-rights law. The most important rights are protected by the constitution, and some major legislative reforms have been passed or are in the pipeline. In practice, however, the thoroughness with which legislation is implemented is uneven.

Morocco has ratified the core UN Human Rights conventions, except the two Optional Protocols to the International Covenant on Civil and Political Rights and the Optional Protocol to the Convention against Torture.

It has ratified most of the ILO's Fundamental Conventions (non-discrimination, child labour, forced labour, trade union rights), except Convention No. 87 on the freedom of association and protection of the right to organise.

The constitution recognises the principle of **freedom of association** and guarantees freedom of thought, **expression** and assembly for all. In October 2002, two new laws entered into force concerning the right of association and public assembly. The new legislation simplifies the rules for forming an association and makes them more transparent; it states that associations can be dissolved only through due legal process and only in certain, predefined, circumstances. Associations other than political parties have the right to “public utility status”. In practice, however, the legislation is not yet implemented in full. For public meetings, prior authorisation still needs to be obtained from the Ministry of the Interior, which can be problematic, notably as a result of the discretionary power which allows decisions prohibiting demonstrations on the basis of the disruption of public order.

The media have become considerably freer since Mohammed VI's accession to the throne, and following the reform of the press code in 2002. Nevertheless, the law still imposes major restrictions on **press freedom**; journalists are still arrested and imprisoned on libel and slander charges. The situation is complicated by the fact that certain offences – an attack on Islam, on the institution of the monarchy or on territorial integrity – are not clearly defined. A bill on liberalisation of the audiovisual media is currently being debated and is due to be adopted by the end of 2004; it is intended to make the industry more dynamic. Currently there are two state-owned television channels and a very limited number of radio stations. Discussions are underway on a new amendment to the press code

Morocco is officially a Muslim country and Islam is the state **religion**, but the constitution guarantees freedom of religious worship. The Ministry of Islamic Affairs has supervisory powers over Friday sermons, Koranic schools and the construction of new mosques. The Jewish and Christian communities are able to practise their faiths freely. Islamic law takes a harsh view of the conversion of a Muslim, hence to attempt to do so is a crime and proselytising can result in deportation. However, no deportations have been reported since 1998 and the Government encourages tolerance and respect between religions.

**Torture** is a criminal offence under the laws protecting the physical integrity of persons. However, Moroccan criminal law still does not contain a definition of torture in conformity with that required by the UN Convention to which Morocco is party, and not all acts that might be viewed as torture have been classified as crimes. Furthermore, the relevant UN committee and NGOs are reporting new cases of torture, especially in cases of arbitrary detention linked to investigations into terrorism, including Islamist terrorism.

From 1998 onwards, the main human-rights NGOs started to become considerably more active.

An arbitration committee was set up in 1999 to compensate victims of the “leaden years” (characterised by disappearances and arbitrary detentions) and the victims' families. In January 2004, the Equity and Reconciliation Commission was set up to establish what had happened in various cases concerning involuntary disappearances and arbitrary detention, to compensate and rehabilitate victims and to promote reconciliation.

Morocco has not ratified the second optional 1989 protocol to the International Covenant on Civil and Political Rights aimed at abolishing the **death penalty**. However, there has been a de facto moratorium on executions since 1993.

Morocco has signed but not ratified the Rome Statute for the establishment of the **International Criminal Court**.



The reforms made to the Code of Personal Status (Moudawana) in February 2004, laid down new rules on the **status of women and the family**. This is a significant step forward. Amongst other things, it is supposed to improve the rights of women in regard to a number of areas such as marriage, divorce, property and inheritance. The reforms are predicated on the establishment of family courts and the creation of a family aid fund and rely much more heavily on the court system than the previous law. However, what effect this important reform will have on the ground will depend on the judiciary's ability to put it into practice.

Practical measures aimed at solving or alleviating problems relating to child-care in line with international conventions, and bilateral agreements have been adopted or are being negotiated with certain Member States (notably Belgium). During the January 2004 Justice and Security Sub-Committee the possibility of finding a European-level solution to the management of such problems was also discussed.

In December 2000, Morocco ratified the Convention on the elimination of all forms of **discrimination against women**, albeit with reserves for the articles concerning the status of women, divorce and nationality. Nor did it sign the optional protocol. Although the general prohibitions of the Criminal Code address domestic violence, legislation does not specifically prohibit it.

The 1962 constitution granted women political rights but the first practical steps towards increasing low female participation in politics are only now being taken, and are still patchy. For instance, special lists have enabled great progress to be made with regard to general elections but the system was not used for the local elections in September 2003.

Regarding the **rights of the child**, the law on the minimum age of employment has recently been amended in order to correspond to ILO Conventions 138 on the Minimum Age and 182 on the Worst Forms of Child Labour.

Non-compliance with child labour laws is reported to be common, particularly in agriculture where, according to a current Ministry of Labour survey, 81% of the country's 600,000 underage workers work on family farms. Further sectors that employ child labour are for instance the handicraft industry or textile, carpet and light manufacturing activities.

In recent years, changes in the legislative framework (see above) have been accompanied by a more dynamic **civil society**. According to official estimates, there are between 20 000 and 30 000 associations in Morocco, a number of which work in the field of democratisation and human rights. There has also been a considerable increase in the number of NGOs involved in social work and economic development since the beginning of the 1990s. These organisations hold a regular dialogue with the authorities and try to make their voices heard in the decision-making process, though, in practical terms, their impact on major political decisions is limited. Moroccan NGOs suffer from a lack of funding and capacity.

**Trade union rights** are guaranteed by the constitution, by legislation and by international agreements ratified by Morocco. Workers are free to form and join trade unions. However, the rights of certain categories of workers, such as agricultural labourers and magistrates, are very limited. There are three main federations: the Democratic Confederation of Labour (CDT) the Moroccan Labour Union (UMT) and the General Union of Moroccan Workers (UGTM). In 2003, a split within the CDT led to the creation of a new trade union, the Democratic Workers' Federation, with close ties to the Socialist Party. Only unions able to show that they have as members at least 35% of the

workforce may be recognized as negotiating partners. The law recognises the right to strike but arbitration is compulsory.

A new draft Labour Code, which had been under discussion for over twenty years, was adopted by Parliament in July 2003 and is due to enter into force in June 2004, though there have been reports of delays in the adoption of the implementing decrees. The new Code specifically prohibits antiunion discrimination and incorporates ILO Convention 87 concerning freedom of association and protection of the right to organise, which has not yet been ratified by Morocco. The new law expressly prohibits companies from dismissing workers for participating in legitimate union organizing activities.

New provisions on the right of association have been inserted into the 2002 Code on Public Liberties: associations inciting racial discrimination have been banned. New provisions in the 2002 Press Code similarly make incitement to racial discrimination illegal. However, Morocco has not yet incorporated analogous provisions into the penal code, despite a recommendation to do so from the UN Committee on the elimination of racial discrimination.

Arabic is the only official language, despite the fact that some 60% of the population claim to have Berber origins and a significant proportion of the **Berber-speaking population** do not speak any other language. The various Berber dialects have no official status and use of the Berber language is very limited at all levels. Over the past few years, there have been a growing number of calls for full recognition of the Berber-speaking community's cultural and linguistic rights. These are starting to be met: October 2001 saw the creation of the Royal Institute of Amazigh Culture, which for the first time in 2004, proposed pilot projects for the teaching of Berber in schools.

### 2.3. Regional and global stability

Morocco is a member of the United Nations Organisation and an OSCE Mediterranean partner for co-operation. It is a member of the World Customs Organisation (WCO), the World Trade Organisation, the World Intellectual Property Organisation (WIPO) and the Bern Union for the protection of literary and artistic property.

In 1958, Morocco joined the Arab League. It is also part of the Organisation of Islamic Conference (OIC) and the Maghreb Arab Union (UMA), founded in 1989. Morocco left the Organisation of African Unity (now the African Union) when the Saharan Arab Democratic Republic (Western Sahara) joined in 1984.

Morocco has been a party to the **Non-Proliferation** Treaty from the outset in 1968. In 1993, it signed the Convention on the banning of the development, production, stockpiling, and use of chemical weapons and on their destruction.

Morocco is very committed to the **fight against terrorism**, particularly since the attacks on Casablanca on 16 May 2003, as a result of which adoption of the special Terrorism Act was accelerated, it entered into force in July 2003. The Act defines terrorism very broadly, makes it a crime in itself, provides for special procedures for terrorist crimes and very severe punishments, and takes account of the international dimension. In 1999 Morocco signed the UN Convention for the Suppression of the Financing of Terrorism.

Morocco claims sovereignty over the Western Sahara, which is also claimed by the Polisario Front. The conflict, which has been going on since 1975, has a negative effect on Morocco's relations with other countries in the region, particularly Algeria, and affects intra-regional cooperation. The United Nations, through MINURSO and the

Secretary-General's personal representative, have been seeking a political solution to the conflict since 1990, before which it was an armed conflict. The 1991 cease-fire has held since then but successive UN-sponsored agreements, including the holding of referendum on the final status of the territory, have failed to achieve a result. In humanitarian terms, there are around 150 000 Saharan refugees in Algeria, around 500 Moroccan prisoners of war are still being held by the Polisario Front, and there are a number of people unaccounted for on both sides.

#### **2.4. Justice and Home Affairs**

A law was adopted in June 2003 laying down the conditions under which foreigners may enter and stay in Morocco. It also codifies crimes and penalties relating to irregular emigration attempts and people-smuggling, making them criminal offences.

**Visa** arrangements are not governed by law. The basic principle, laid down by the Residential Order dating back to 8 January 1915, is that a stamp must be placed in the passport of any person coming from abroad. The list of countries whose nationals are exempt from the visa requirement is decided on by administrative act. At present, the nationals of 51 countries are exempted from the visa requirement.

Agreements and minutes on **readmission** have been signed with various EU Member States. A Community readmission agreement is being negotiated. Morocco enjoys close relations with Sub-Saharan countries but has no readmission agreements with them. Recently, however, the authorities managed to repatriate nationals of sub-Saharan countries in a series of *ad hoc* operations.

Morocco is party to the 1951 Geneva Convention on the status of **refugees**. The Office of refugees and stateless people, under the authority of the Foreign Minister, is responsible for legal and administrative protection of refugees.

The **Border** Division, within the Ministry of the Interior, takes care of border-related administrative and economic matters. Within the same Ministry, the Directorate-General for National Security is responsible for checks at border-crossing points. Morocco cooperates with Spain on border checks through a group that organises discussions, exchanges of information, liaison officers and joint patrols.

The King has decided to set up two new institutions to fight against networks that **traffic in human beings**: (i) the Migration and Border Surveillance Directorate is chiefly concerned with operational implementation of the national strategy against trafficking networks and with border surveillance; its operations will be carried out by the National Search and Investigation Brigade; (ii) the Migration Monitoring Centre will bring together representatives from all departments concerned with the issue of migration. New legislation was adopted in November 2003, which includes more severe sanctions for traffickers, including imprisonment. Morocco has not yet ratified the 2000 UN Convention on Transnational Crime and its two Protocols on trafficking in human beings and smuggling of migrants.

As part of the Association Agreement, Morocco and the EU have created a working party to deal with social affairs and migration. The party has identified and holds regular discussions on a number of practical questions relating to migration such as co-development, social integration, visas, illegal migration, transit migration and better information, and practical cooperation projects. A Justice and Security subcommittee has been set up to look at the full range of cooperation issues relating to justice and home affairs.

Morocco is party to a number of international conventions on **drugs**. It set up a National Narcotics Commission in 1977. In 1996, in an attempt to improve coordination between all departments responsible for implementing anti-drugs laws, the Moroccan Government created the Anti-Drug Coordination Unit (UCLAD), under the responsibility of the Ministry of the Interior. An inter-ministerial committee has been established for drawing up a national drug strategy.

Cannabis is produced in certain areas of the country. Morocco has witnessed an increase in drug addiction in recent years and the Government has devised primary and secondary prevention measures and has made arrangements to take care of addicts. The Ministry of Health has drawn up guides on prevention and gives training to departments involved in prevention.

There is no specific text addressing the issue of **money laundering** at present. However, there are applicable rules in the overall legislation, including the law on the funding of terrorism. An inter-ministerial committee has been set up to finalise a draft money laundering bill, which will include the setting up of a Financial Intelligence Unit. Under existing banking laws and codes of commerce, Moroccan citizens cannot have anonymous bank accounts either in Morocco or offshore. The 1993 Banking Law is being reviewed to take into account recommendations of the GAFI (Financial Action Group on Money Laundering).

### **3. ECONOMIC AND SOCIAL SITUATION**

#### **3.1. Macroeconomic and social outlook<sup>1</sup>**

##### *3.1.1. Economic developments and outlook*

Although the fourth largest country in the region, Morocco has a rather small but open economy, its degree of openness is now close to 70% of GDP. Morocco has recently experienced an improvement of its average GDP growth to some 5.5% (from 3.2% in 2002). The country recorded another current account surplus in 2003, with stronger investment activity and sustained private consumption. Excess liquidity resulting from these surpluses has been successfully sterilised by the Central Bank.

With a population close to 30 million, Morocco's economy amounts to USD 37,263 million (GDP 2002). It is highly dependant on agricultural production, which accounts for roughly 14% of GDP but involves more than 50% of the labour force. The dependency on agricultural output and erratic meteorological conditions has traditionally led to a high volatility in the growth rate. The slow growth rates in the 1990's translated into a stagnant per capita income level of €3.690 (PPP) in 2002. The economy has not been able to alleviate pressures stemming from the rapidly increasing labour force (population growth, although declining, is still 1.7 %). Unemployment levels remain high (over 20% in urban areas).

Following an economic crisis in 1983, the government substantially reduced trade protection, cut the fiscal deficit, and rescheduled its external debt. While the 1990s have been characterised by a high degree of macroeconomic stability, more recently, since 2000, a slippage in fiscal discipline has been noted. With regard to economic growth Morocco's performance has been disappointing over the last decade, declining to an average 2.3% per year compared to an average of 4% in the 1980s. Lower growth rates were mainly due to external developments (six droughts in ten years, slow European

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<sup>1</sup> Statistics from Ministry of Finance and Privatisation, unless otherwise specified.

growth) as well as stagnating overall structural reforms. Progress in recent years includes, among others, the modernisation of the customs administration, the privatisation of public enterprises, telecommunications reform, and trade liberalisation in accordance with the Association Agreement with the EU.

Since 2001, the growth rate has improved, rising to 5.5% in 2003. This improvement reflected the 20.6% increase of agricultural output.

The inflation rate has been below 3 % since 1997. In 2003 the government succeeded in meeting its target average inflation of 2%, supported by favourable domestic and international developments. Improved agricultural production reduced foodstuff prices and weak international demand contained inflationary pressures.

### *3.1.2. Fiscal management, monetary and exchange policy*

Consolidation of the **fiscal deficit** (around 2-4% of GDP in the second half of the 1990s) seems to have halted recently (around 5 % in 2002-2003). In 2003, the current fiscal deficit was higher than the 2002 fiscal outcome (-4.5% of GDP), due to salary increases and additional expenditures associated with the Casablanca terrorist attacks in May. High privatisation revenues might also have contributed to reducing the perceived urgency for fiscal discipline. Financing of the fiscal deficit was conducted primarily on the domestic debt market. Public domestic debt has increased continuously in the past few years to around 50% of GDP.

Morocco pursues a monetary targeting strategy with announced growth rates of M1 as the main operational target. The current practice of monetary policy implementation requires the existence of rather strict capital account restrictions. Although the monetary authorities' official target is to "preserve the stability of the currency"<sup>2</sup>, informally price stability also represents one of the main policy-making elements. M1 constitutes the reference for monetary policy, whose increase has been fixed for most of the recent years within a range of 6-7%. This target implied real GDP growth of 3.5 to 4.5%, an inflation rate of 2-3% as well as an unchanged velocity of money.

Since the beginning of the 1990s Morocco has pursued an **exchange rate policy** of pegging the dirham (MDH) to an undisclosed basket of currencies. In April 2001, the weight of the basket currencies was changed in favour of the euro, to better reflect Morocco's commercial and financial links with the EU, and resulted in a slight depreciation. Discussions on a higher degree of flexibility of the exchange rate regime have continued, nurtured by the growing integration of Morocco into the world economy.

### *3.1.3. External situation*

Morocco's **external accounts** are traditionally characterised by a trade deficit, which is to a large extent financed by private transfers and a service balance surplus. High fuel, agricultural, and consumer goods imports account for half of Morocco's imports and appear to be responsible for trade deficits that averaged around 7% of GDP in the 1990s and recently reached about 12%. Net tourism inflows have increased from 1.9% of GDP in 1980 to 6.5% of GDP in 2001, while private transfers of Moroccan residents living abroad have grown steadily to 7.3% of GDP during 1993-2001. In 2003, Morocco recorded a current account surplus of around 2% of GDP, with the widening trade deficit being compensated by service related inflows. Despite the Iraq crisis and the May suicide bombings in Casablanca, tourism receipts rose by 0.4% in the first half of 2003.

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<sup>2</sup> Statut de Bank Al-Maghrib.

### *3.1.4. Social situation and human development policies*

Morocco is still characterised by a relatively high incidence of **poverty** (defined as proportion of the population living on less than 1 US\$ per day). Although poverty declined from 21 to 13% during the period 1984-92, it had returned to 19% by 2000. Poverty continues to be primarily a rural phenomenon, with more than 25% of the rural population living below the poverty line, compared to just 12% of the urban population.

Overall **unemployment**<sup>3</sup> remained high at 12.8% in 2003, with a wide gap between urban (20.4%) and rural areas (4.1%). The labour market benefited from the recently adopted labour code, which encourages flexibility and contains procedures for conciliation. The new code also reflects international conventions regarding the protection of children, women, handicapped people, workers and unions' rights.

Despite significant public spending on **education** (6% of GDP), both the quality and coverage remain weak. Although illiteracy is slowly receding, rates remain persistently high, at around 50%. The World Bank estimates that 2.5 million children do not attend school. In addition, there is a high drop-out rate.

While life expectancy has increased to 68 years, many **health** indicators – such as maternal and infant mortality rates – remain high. Vaccination is widespread throughout the country, but in rural areas access to health services is limited and the quality is poor. Morocco also has very low health insurance coverage, which only reaches 15% of the population.

Despite efforts to enhance the status and condition of women, **gender indicators** show important disparities. In rural areas 75% of women are illiterate and only 47% of the girls are enrolled in primary school. The situation is better in urban areas, where female illiteracy is 23% and girls' enrolment rate is 83%. The female participation in the labour force is between 25 and 30%.

## **3.2. Structural reforms and progress towards a functioning and competitive market economy**

### *3.2.1. State involvement in the economy and privatisation*

Most **prices** are liberalised with the exception of those of a number of basic products such as petrol, vegetable oil, sugar and flour, which are set by the government. The government also indirectly influences prices for a number of goods and services through many state-owned enterprises. Water, for instance, is distributed below cost recovery levels.

The state has a monopoly on phosphate mining and tobacco marketing and remains involved in the provision of a number of other goods and services. Public sector management has traditionally been characterized by a relatively strong degree of centralization and administrative formalism, which has often gradually degraded into poor accountability and pervasive controls, creating opportunities for mismanagement and corruption.

After successfully privatising the telecom sector in 2000-01 the government's **privatisation** efforts were stepped up in 2003. In the first quarter of 2003, an 80% stake in the tobacco company Régie des Tabacs was sold for €1.3 billion, exceeding the targeted privatisation receipts for the whole year. Other privatisation projects include the

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<sup>3</sup> Data from the National Statistical Agency in the High Planning Commissariat.

sale of a further 15% of Maroc Telecom, 90% of two sugar firms, 20% of Banque Centrale Populaire as well as a printing plant.

### 3.2.2. *Regulatory framework and private sector development*

**Regulations** and bureaucracy remain burdensome despite the government's reform attempts. Entrepreneurs complain that permits are slow to be issued. Corruption is perceived to be widespread and affects most levels of the administration. Government procedures are not always transparent, efficient or quick. Around half of all enterprises hire intermediaries or maintain full-time employees to deal with the bureaucracy.

In 2003 Morocco renewed its efforts to upgrade the overall business environment and to foster **private sector development**. The authorities have taken some steps to create a level playing field and to remove obstacles to the creation of new enterprises. These comprised measures to implement the competition law and the establishment of one-stop investment windows at regional level. Furthermore, a working group proposal to enhance the competitiveness of the economy has been partly taken up in the 2004 budget law. These measures complement steps taken in 2002 - the launch of the new decentralised investment scheme and the opening of regional investment centres - in order to attract foreign direct investments.

Foreign and locally owned investments are treated equally (with the exception of the construction sector) and 100 % foreign ownership is permitted in most sectors. There is no screening requirement for foreign investment, but the latter is restricted in some sectors, including mobile telecommunications. Foreigners can invest in the agricultural sector but cannot own agricultural land. Regulations prevent foreign firms from having a majority stake in a Moroccan insurance company. Both residents and non-residents may hold foreign exchange accounts, subject to restrictions and requirements. Personal payments, transfer of interest, and travel payments are subject to limits, documentation requirements, and approval in some cases.

In the field of **anti-trust**, the relevant legislation is the Price Liberalisation and Free Competition Act of July 2000, which is inspired in some respect to the French law. It prohibits agreements and concerted practices which restrict competition as well as abuse of a dominant position, although there is scope for granting of exemptions. It also covers the regulation of mergers. The Prime Minister is the sole authority who may issue rulings on anti-competitive practices. His decisions can be challenged before an administrative court. The Law of 2000 also establishes a Competition Council, which may give non-binding advisory opinions to the Prime Minister. However, it has no right to carry out investigations on its own initiative, nor is it entitled to receive complaints directly from operators. There is currently no uniform **state aid** surveillance or control regime comparable with that of the EU.

### 3.2.3. *Financial sector*

At the beginning of the 1990s, the Moroccan authorities started a reform process, mainly focussed on overhauling the legal and regulatory framework of the financial system and increasing the role of market forces. However, government ownership of financial institutions remains widespread (46% of banking sector assets in 2001). The improvement of financial practices has lagged behind institutional developments, and competition outside the public banking system tends to be limited as a result of the dominant position of three large private financial conglomerates.

Regarding the **banking** sector, in 2003 public specialised banks represented the most vulnerable segment of the sector with very large non-performing portfolios and relatively low compliance with banking prudential regulations and provisions. Two public banks (Agricultural Bank, and Housing and Tourism Bank) appear to be insolvent and have been exempted from the obligation to comply with prudential regulations and reserve requirements. In the second half of 2003, the authorities started to address the problem.

At the end of 2003, the reform of the financial sector entered into a new phase, reflecting a determination of the authorities to further modernise the sector. New legislation is being prepared and includes, in particular: the reform of the Central Bank's Status, by strengthening its independence and supervisory function as well as its leading role in monetary management and banking sector regulation; a new banking law which includes the creation of a joint supervisory commission for the whole banking and non banking sector; a number of provisions regarding the financial sector, such as the strengthening of the financial market supervisory body (le Conseil déontologique en valeur mobilières) and reinforcing the control of financial operators.

Morocco is in the process of liberalising a number of banking and other financial services, imposing no limits on private involvement.

The insurance industry has been rationalised: a number of companies have gone out of business and a recovery plan has been drawn up for companies that are still in difficulties. A new insurance code was published in October 2002. In order to provide commercial insurance services, companies must set up a head office in Morocco. The Ministry of Finance and Privatisation's Insurance Supervision Directorate has had its institutional capacity strengthened. Under the new Banking Act, the Directorate will be part of the joint committee responsible for supervising the financial industry.

The Casablanca stock exchange is pushing ahead with its systematic modernisation of the securities market, and is exhibiting a good level of technical competence and effective supervisory skills. It is hoped that the new legislation aimed at strengthening the supervisory body and increasing operational transparency in the financial industry, will boost confidence and help the market to develop. However, the stock market is still hampered by a high concentration of capital, a lack of new securities, of liquidity and of depth.

#### *3.2.4. Sustainable development*

Morocco adopted a National Strategy on Environmental Protection and Sustainable Development in 1995, which sets out medium-term (2005) and long-term (2020) objectives for the quality of the environment and promotes the integration of environmental considerations into economic and social development policies. The National Plan for Economic and Social Development (PDES) 2000-2004 also incorporates actions in relation to sustainable development. A sustainable development network was set up in 1995 under the responsibility of the Ministry of Environment involving non-governmental organisations, authorities, the private sector and academia.

#### *3.2.5. Relations with the IFIs and other donors*

There is currently no IMF programme for Morocco and the last programmes (three stand-by arrangements) date back to the beginning of the 1990's.

The World Bank Group's co-operation strategy in Morocco focuses especially on actions aimed at reducing poverty, inequality and exclusion, with an increased emphasis on capacity building and institutional reform. As of December 2003, the World Bank portfolio in Morocco consisted of 19 active projects, including a health financing and



management project, a railway restructuring project and a basic education project. Preparations are underway for a public administration reform loan and an educational reform project.

**Table 1. Morocco - Selected Economic Indicators, 1997-2002**

	1997	1998	1999	2000	2001	2002
Real GDP growth (in %)	-2.2	6.8	-0.7	2.4	6.5	3.2
Unemployment rate	16.0	15.0	13.9	13.7	12.5	11.6
CPI inflation (avg; in %)	1.0	2.8	0.7	1.9	0.6	2.8
Broad money (M3, end of year; % change)	9.2	6.0	10.2	8.4	14.1	6.4
Consolidated government balance (% of GDP)	-3.4	-2.6	-4.5	-6.4	-5.7	-4.5
Current account balance (% of GDP)	-0.3	-0.4	-0.5	-1.4	4.8	2.9
Official net international reserves (end of year)						
In billions of US dollars	4.0	4.4	5.7	4.8	8.5	10.1
in months of imports	4.0	4.2	5.2	4.2	7.6	8.5
External debt (% of GDP) (end of year)	60.4	57.3	54.4	53.9	46.9	43.7
Debt service (in % of exports of GNFS)	32.5	29.7	27.6	24.0	23.8	23.0
Exchange rate (dinar/euro) (end of year)	10.7	10.8	10.1	9.9	10.2	10.7
Real effective exchange rate (1995=100) 1/	101.7	104.2	105.2	108.2	103.7	103.4
Population (million)	27.3	27.8	28.2	28.7	29.2	29.7
GDP per capita, in USD	1224	1289	1248	1217	1215	1300

Source: IMF, various national sources.

1/ A negative sign implies a real depreciation and, therefore, a gain in international competitiveness.

### 3.3. Trade, market and regulatory reform

Trade with the EU is being liberalised in accordance with the provisions of the Association Agreement. As of March 2003, a number of basic industrial goods originating in the EU, are allowed entry into Morocco, free of customs duty. Progressive tariff dismantling for all the other industrial goods has started with a 10% abatement. In addition, the authorities eliminated the use of reference prices as recommended by the WTO. Trade in raw materials and equipment not produced locally was fully liberalised in 2003.

The agricultural agreement concluded between Morocco and the EU in the framework of the Association Agreement, entered into force on 1 January 2004.

Morocco is one of the four signatories of the **Agadir free trade agreement** with Tunisia, Egypt and Jordan, which is open to other countries too. In addition, negotiations for a free trade agreement between Morocco and the USA were successfully concluded in March 2004 and a Free Trade Agreement with Turkey was signed in April 2004.

With regard to **sanitary and phyto-sanitary** (SPS) matters, the rules governing food products are laid down by legislation dating from 1984, together with laws on particular issues, implementing measures and ministerial circulars. The emphasis is on punishment: checks are carried out on the finished product and at the marketing stage but, significantly, not at the production or processing stages. The legislation does not fully comply with the new international requirements, such as the Codex Alimentarius and WHO SPS agreements. Legislative and institutional reforms are being prepared. There are a variety of uncoordinated administrative structures in this field, resulting in measures which are sometimes contradictory. Checks on the quality of food products for export are carried out by the EACCE, the independent export control and coordination body, under the responsibility of the Agriculture Ministry. In 2002 the EACCE was accredited by the EU for checks on the quality of agricultural products and foodstuffs for sale on the EU market.

The **customs** and indirect-taxation administration (ADII), under the responsibility of the Finance Ministry, is responsible for implementing customs policy. The 1977 customs code underwent a thorough revision in 2000, the purpose of which was to achieve a better balance between the administration's and the declarants' right and duties, to make customs-clearance formalities more flexible and to introduce an anti-fraud policy. Measures have been taken to simplify the declaration forms, computerise clearance procedures and improve the system for customs control and adjusting customs procedures with economic impact. Morocco applies the Harmonised System in line with the WTO model. A computer system for handling customs clearance is already in place, and a new, improved system is in the pipeline. There is a multilingual customs website for the public to use, and the integrated customs tariff is also available on the internet.

Morocco, as a partner to the Barcelona Process, endorsed on 7 July 2003 the new Protocol on rules of origin allowing the extension of the Pan-European system of cumulation of origin to the Barcelona Partners. The next stage aims at amending the origin protocol in the relevant Euro-mediterranean Agreement in order to insert the changes necessary for the application of diagonal cumulation. This could help fostering economic integration and allow for a better use of the complementarities and the economics of scale in the Euro-mediterranean area.

The **tax** system has been restructured and modernised in successive stages, starting with the framework Tax Act of 1984. VAT was introduced in 1986, corporation tax in 1987 and general income tax in 1990. Subsequent adjustments have been made through the annual Finance Acts. In 1995 the Investment Charter consolidated existing systems with a view to providing investment incentives. There are four rates of VAT, ranging from 7% to 20%, and numerous exemptions. Morocco has signed bilateral conventions aimed at avoiding double taxation with seventeen Member States. The new Government has announced that tax reform is one of its priorities.

In the area of **technical regulations and standards for industrial products**, the national system, sets compulsory standards only where they have a bearing on health, safety, hygiene or environmental protection. If this is the case, they are applied to imports and domestic goods without distinction. Standards relating to quality are voluntary. The main products covered by the compulsory standards are electrical goods, gas appliances, household electrical appliances, building materials and toys. The Industry Ministry has set up a national accreditation system, the main purpose of which is to bring Moroccan commerce into line with international requirements. The system is already in operation for testing and calibration laboratories and is set to be extended to cover all bodies responsible for evaluating conformity. Plans for a Moroccan Standardisation

Institute were finalised at the beginning of 2004 and are now awaiting approval from the Government's Secretary General.

Morocco has made changes in its legislation in order to honour its commitments under the agreement on Trade Related aspects of **Intellectual Property** Rights. Two new laws entered into force in 2000 on the protection of **industrial property** rights and authors and related rights. The legislation on the protection of industrial property applies not just to industry and commerce but also to agriculture and mining. It provides for stiff penalties. However, the law cannot yet be enforced for the lack of implementing decrees.

The legal and regulatory framework for **public procurement** is set out in a decree dating from 1998 which lays down the terms and conditions to be used for the awarding of contracts, and provisions on monitoring and management of contracts. The arrangements are based on international practice. In 1999, an addition was made to the framework in the form of a Prime Ministerial circular calling on public bodies and corporations to put contracts that met the criteria out to competitive tender. The relevant ministers are entirely responsible for monitoring and controlling the management of contracts. National preference may, but need not, be applied to public contracts in Morocco.

As regards the **provision of services** (other than financial services) **and right of establishment**, certain necessary legislative steps have already been taken to facilitate investment and improve business conditions. Overall FDI flows have remained at a rather low level aside from privatisation. Measures have been taken to reinforce the legal environment for investors and to improve so-called "welcoming services" for foreigners. In January 2002, a new decentralised investment service scheme was launched and regional investment centres are being opened, although they still lack resources to function efficiently. The main obstacles for foreign investment relate to i.a. complicated procedures for business registration and a lack of transparency in the regulatory framework.

### **3.4. Transport, energy, information society, environment and research and innovation**

The reform of the **transport** sector has been recognized as a priority by the Moroccan Government. In order to support the ongoing reform, the Moroccan Government and the EU have elaborated a comprehensive set of measures to be supported under the budgetary support programme.

The road sector reforms entail the liberalisation of the road freight transport (a former monopolist being transformed into a state-owned company) and the regulation of access to the profession. The aim is also to increase the competitiveness of the sector and to improve road safety in general.

In the rail sector a first ambitious reform programme of the state-owned railway company was already successfully completed in the mid nineties. Under the current reforms, the incumbent operator will be turned into a joint stock company and the existing network will be operated under a concession agreement. Tracks and rolling stocks are being modernised under an ongoing investment programme.

Policy in the aviation sector is twofold: (i) to achieve greater liberalisation, including charter flights and ground-handling services, (accompanied by strong technical safety regulations) with further integration into the European aviation single market (arrangements with Eurocontrol exist), and (ii) to strengthen the commercial position of the government airlines (RAM and a future low-cost-carrier). Bilateral air services

agreements between Morocco and EU Member States do not include Community designation and are not in line with Community legislation. In light of the importance of maritime transport for the foreign trade of Morocco, the maritime transport policy aims at improving the efficiency of port services and maritime operations. The port reform aims at separating commercial from operation functions and opening port handling services to competition. In order to achieve these objectives, the regulatory functions of the port authority will need to be strengthened. Maritime safety remains an area of concern.

Morocco is very dependent on imports to meet its **energy** requirements. It is a transit country for Algerian gas sold to Spain and also exports electricity to Spain. Morocco is looking to increase its trade in energy. Electrification of rural areas is progressing and the demand for energy, in particular electricity, is growing strongly.

An energy policy based on diversification, market competition and demand management is taking shape. An energy monitoring centre is envisaged to support the development of such a policy.

The public monopoly l'Office National de l'Electricité (ONE) generates, transports and distributes electricity. The sector is being opened up. Energy-generating concessions are being granted to private operators with long-term "take or pay" clauses, obliging the monopoly operator to buy the electricity produced (more than 60% of the Moroccan market). With its pricing structure for industrial users of electricity, Morocco wants to step into line with EU pricing. Morocco has signed the Memorandum of Understanding concerning the Maghreb electricity market and the integration of that market into the EU internal market which was developed in the EuroMed energy forum (Rome, December 2003). In signing the Memorandum, Morocco committed itself to gradual integration into the internal energy market.

The Gas Development Plan sets out to improve connections between Morocco's various gas networks. There are plans to diversify supplies with the creation of an LPG network. A gas code is being drawn up.

The Renewable Energy Development Centre (CDER) continues to promote the technological development of renewable energy sources in Morocco.

With regard to the internal refined oil products market, Morocco is planning to re-orient its production of hazardous heavy fuels towards the processing of light oil products.

In the field of **Information Society**, the department for communications and information technologies of the Ministry for Industry and Trade is responsible for sectoral policy, legislation, promotion of educational aspects of the Information Society, and diminishing the digital divide by financing entities contributing to the new knowledge economy. The National Agency for Regulation of Telecommunications, established in 1997, is financially and structurally independent from the Ministry and reports to the Prime Minister.

In accordance with the Telecommunications Law of 1996, the dominant network operator Maroc Telecom is obliged to provide Universal Service but the cost is shared with other operators (contribution of 2% of the annual turnover). Licences are required for the operation of public networks which use the frequency spectrum, authorisations and notifications for other services like internet access.

In 1998, decrees for the application of the law have been issued on interconnection, the conditions for the operation of public networks, and radio spectrum charges. A price cap

system has been introduced in order to protect the consumers from unbalanced tariffs of Maroc Telecom.

In 2000, the market for mobile telephony has been liberalised by issuing a licence to another operator and the market for international fixed telephony is open since 2003. As for privatisation, 35 % of the shares of Maroc Telecom have been sold to an international operator in 2002.

Morocco has adopted a National Action Plan for the **Environment** in order to implement the 1995 National Strategy on Environmental Protection and Sustainable Development. The priorities are protection and sustainable management of water, ground and nature, protection of air and promotion of renewable energy, prevention of natural disasters and major technological risks, improvement of urban environment and environmental management and communication.

A new framework Law on Environment Protection was adopted in 2003. The Ministry of Environment was established in 1995. Other Ministries are also responsible for environment related matters, such as the Ministry of Agriculture and the Ministry of Public Health. The National Council for the Environment ensures the main policy co-ordination with regard to environmental protection. Morocco is a beneficiary of Community support under MEDA, SMAP and LIFE-Third Countries programmes. Morocco has ratified relevant international and regional environment conventions to which it is party, except the the amendments to the Barcelona Convention, its SPA (Specially Protected Areas) & Biodiversity Protocol and new Emergency Protocol. Morocco has acceded to the Kyoto Protocol.

In Morocco the majority of **scientific research** is public and under the Ministries for Scientific Research, and the Ministry of Higher Education, Training and Scientific Research.

Morocco participated in 47 INCO (MED & DEV) research contracts under the 5th Framework Programme. These concerned joint research projects using thematic networks and co-ordinated actions involving 56 Moroccan bodies, the majority of which were from the public sector. Objectives focused on principal applications such as the integrated management of limited water resources and technologies for the purification and re-use of water.

In 2003, more than 150 Moroccan bodies participated in the first calls for proposals under the 6th R&D Framework Programme, submitting 78 proposals of which 25 were selected. The proposals were principally addressed at specific measures for international co-operation (55 proposals of which 20 were selected).

An S&T agreement between the EU and Morocco was approved by the Council at the end of 2003 and is currently in the process of being ratified by Morocco.