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## **ABSTRACT**

This report examines the Kingdom of Morocco's current status in four broad areas: *human rights and governance, socioeconomic conditions, the economy and the environment*. Highlighted within these four areas are key challenges to Morocco's development, such as unemployment, urbanization, privatization and trade, water security, reforming governance structures, and the impact of modernization on traditional Moroccan society. Morocco's progress in meeting the Millennium Development Goals as outlined by the World Bank and the United Nations and its progress in achieving broad-based sustainable development is assessed. Each section includes an analysis of present conditions, followed by policy considerations and suggestions.

## INTRODUCTION

For more than a millennium, the Kingdom of Morocco has been ruled by the same power structure: a king with near absolute power, religious scholars and traditionalists. Today, this centuries old authoritarian system remains largely intact. However, change is pushing and pulling at this ancient society, from its political system to its cultural norms. The international community exerts pressure on Morocco to further reform its political system and improve its human rights record, while global and domestic economic forces compel leaders to further liberalize the country's economy. Inside Morocco, urbanization and other challenges are driving the country towards change. Meanwhile, NGOs and Moroccans themselves are increasingly active in seeking a voice in government decision-making. The juxtaposition of tradition and modernity is evident on Morocco's streets: male-dominated cafes line boulevards, exemplifying the country's traditional gender roles, while women leaders recently made the largest gains in Parliamentary seats in the country's history.

After inheriting the throne from his father, King Hassan II in 1999, Muhammad VI embarked on setting a new tone. Referred to as "the king of the poor," he quickly declared war on bureaucratic corruption, poverty and the neglect of Morocco's marginalized northern regions. He also expressed concern for human rights violations. Perhaps most strikingly, the new king appointed a special commission to resolve the Western Saharan conflict, which has been an integral issue in Morocco for the last twenty years. However, despite these moves toward reform, Muhammad VI still enjoys the same broad constitutional powers of his father. These include the appointment or dismissal of cabinet members, veto power over parliamentary legislation and the ability to dissolve Parliament if he deems it in the national interest.

Despite the power retained by the monarch, progress is being made in governance. The most recent legislative elections were held on September 27, 2002 and were noted for being fair and democratic. In these elections, equal access to the public media was given to all of the political parties; the Ministry of Interior launched a nationwide voter education campaign; the electoral code was amended to provide for a national and local list of candidates and a new proportional representation system; and, for the first time, domestic election monitors were permitted to observe the elections. In a pact of honor, the political parties unofficially reserved the 30-seat national list for women. This helped usher in the most notable accomplishment of the 2002 elections – the sharp increase in political representation by women. Thirty-five women currently hold seats in the new Parliament. By a small margin, the left-wing party, The Socialist Union of Popular Forces (USFP) kept its majority with 50 seats, and the center-right, Islamist Justice and Development Party (PJD) tripled their representation, winning 42 seats.

The tension from modernization and liberalization continues to mount in Morocco. Women are expanding their roles in society while conservative forces mobilize in favor of tradition. Among these forces is a growing Islamist – or politicized Muslim – movement. The Islamist political party has been successfully recruiting supporters among the rural and urban poor, who have been neglected by the government for

decades. As a result, they gained a record number of Parliamentary seats in the country's last election; they are expected to gain more in the next one (2007). Such religious-based political movements have caused great instability in other North African countries, and Moroccan's ruling class clearly seems to be concerned about what the Islamists' success means for their country.

In many ways, Morocco is at a crossroads: High levels of unemployment plague both urban and rural areas, educated and uneducated populations alike, putting tremendous pressure on the government to find immediate solutions to the country's economic trouble. Poverty has soared over the last decade; rural poor have migrated to the cities, adding to the challenges of urbanization. Possible water scarcity and other environmental pressures grow, while the government makes key decisions concerning trade agreements, liberalization and macroeconomic growth policy. Corruption and questions of governance affect foreign investment in Morocco and threaten the government's legitimacy. In response to Morocco's myriad challenges, King Mohammed VI has steadily and slowly introduced political and other reforms. However, it remains to be seen whether he is really committed to change or if his actions are merely symbolic gestures of appeasement.

### *ABOUT THE REPORT*

This report loosely follows the priorities specified by the Millennium Development Goals put forth by the United Nations and the World Bank at the Millennium Summit in September 2000. Referred to throughout this paper as the MDGs, the goals include specific indicators and measurements in the areas of poverty and hunger eradication, education, gender equality, child mortality, maternal health, HIV/AIDS and other diseases, and environmental sustainability. The section outlining socio-economic conditions is structured around Morocco's progress in meeting the MDGs, while the other three sections mention the applicable goals in their respective introductions. Further, this report analyzes Morocco's status in both meeting the MDGs and achieving the overarching goal of broad-based sustainable development. The concept of broad-based sustainable development advocates a multidimensional approach as illustrated through four sub-goals: a healthy, growing economy undergoing structural transformation; an economy in which the benefits are widely distributed; a political system that provides for human rights and freedoms, effective governance; and a political economy that is consistent with the preservation of the environment. A detailed outline of the Millennium Development Goals and the Broad Based Sustainable Development framework are included as Appendix A and B.

Students at the Ford School of Public Policy at the University of Michigan, Ann Arbor, studied Morocco as part of a specialized class on Emerging Markets and Social Policy in early 2003. Led by Ford School Professor Susan Waltz, they examined the country's present political, socio-economic, economic and environmental challenges, before traveling to Morocco to meet with Moroccan policymakers, NGO leaders and international organizations. The following report – produced by graduate students – is

based both on the classroom component and insights gained from visiting Morocco. Organizations students met with are listed in Appendix C and individual authors and editors are listed on the author's list.

## HUMAN RIGHTS AND GOVERNANCE

### Morocco's Development Objectives

As a signatory of the major international human rights instruments and an active partner with domestic and international networks, Morocco's development objectives are consistent with the MDGs and the BBSD framework. Integrated within three MDGs—to eradicate extreme poverty and hunger, promote gender equality and empower women, and develop a global partnership for development--the BBSD framework provides four key areas for improving human rights and good governance:

1. **Effective governance:** Technically and managerially competent, accountable public officials, and a political system characterized by predictable rule and effective anti-corruption institutions;
2. **Women's rights:** Legal reform which ensures, in the context of cultural mores, the social, political, and economic rights and empowerment of women;
3. **Civil and political rights:** Promotion of the legal and cultural basis for the right to life and due process, assembly, speech, religion, and access to information systems;
4. **Western Sahara conflict:** Resolution of a conflict, which compromises Morocco's ability to provide human rights, democracy, and economic and social development.

### Morocco's Progress Towards Meeting Its Objectives: An Overview and Analysis

Morocco is ruled by a monarch. Discussion of the challenges to achieving human rights and good governance must be predicated on this understanding. The King appoints or dismisses the Prime Minister and members of the Cabinet and can dissolve the legislature; his discretion supercedes the Constitution. The legislature consists of the Chamber of Representatives and the Chamber of Advisers, but both chambers are merely forums for debate. Ministers, senators, magistrates, and governors wield no real decision-making power independent of the King. In essence, the monarchy remains the source of political legitimacy and "the sole mediator" between society and the government. The power of the monarchy, however, is balanced by that of the makhzen (the institutional structure of political control and influence established over centuries), which includes the royal court, ulemas (religious scholars), economic and political counselors, senior security and military officers, secretaries of state, and local-level bureaucrats. Even though King Mohammed VI appointed some advisors, governors, and other officials in the public sector, the "old guard of the makhzen" retains the most influence over the King. As political reform will most likely result in the reduction of the power of the makhzen, there is strong opposition to liberalization. The foreign press has noted that it is the makhzen that are behind the repression of human rights groups and Islamists. Given the unique and entrenched power structure and interests mediated by the King, political reform in the areas of corruption, human rights and transparency is difficult. The following sections provide an analysis of Morocco's progress in four areas

of human rights and governance.

### **Effective Governance**

Corruption in Morocco has many adverse economic and social effects. Foreign investors and development agencies are dissuaded by an unaccountable and unpredictable administration. Additionally, systemic corruption leads to a fundamental disconnect between the bureaucracy and the citizens that it serves, which, in turn, leads to public apathy, inefficient use of wealth and public resources, and unequal access to services. The relationship of the monarch and the bureaucracy to the people is in the form of a patron-client system in which, although officially condemned, systemic corruption is practically tolerated. In a situation where the needs are greater than the government's capacity to address them, a secondary market emerges to better match supply and demand; in this case, corruption is part of that market mechanism. For example, police officers demand bribes for traffic violations and bureaucrats accept unlawful payment for permits.

In response to corruption at all levels of administration, King Mohammed VI announced his intention to create a government responsive to the "economic and social expectations of the citizens." Although NGO programs addressing systemic corruption have achieved limited success, the government increasingly prosecutes officials guilty of egregious violations of the public trust such as coercion and torture. In 1998, the government initiated a Good Management Pact to clarify standards of ethical behavior for public officials. The Pact is currently being developed and disseminated with the help of the National Democratic Institute, an American foundation, while similar efforts at the international level are led by United Nations Development Program (2003). Partnering with Transparency Maroc, an advocacy group working to fight corruption within the bureaucratic system (2003), the Ministry of Education began incorporating principles of good governance and ethical behavior into school curricula for the next generation of public officials. At the grassroots and NGO level the Network of Associations for the Fight Against Corruption sponsors a National Anti-Corruption Day to increase public awareness of the issue.

Observance of a consistently applied rule of law is also a major problem for Morocco. The King is free to amend laws regarding any facet of public life according to his discretion. Mohammed VI has fallen short of a consistent and universal rule of law, as he continues to bypass formal procedures and protocols. In the autumn of 2002, for example, he surprisingly appointed Driss Jettou to the position of Prime Minister despite that fact that Abderrahmane Youssoufi's Socialist Union of Popular Forces (USFP) won the majority of seats in Parliament's House of Representatives. Although Morocco's constitution allows the king to appoint a prime minister and this decision does not require Parliamentary authorization, many were outraged that the king's decision did not represent the results of the elections. Ultimately, Jettou is a royal appointee and not an elected official and in order to proceed further down the path of democratization, the prime minister should be appointed from the winning party to better reflect popular consensus. The absence of effective rule of law is also tied to the tight-knit relationship between the monarch, makhzen, and the judiciary. Waltz (1995) notes that the

Constitutions have repeatedly affirmed separation of powers, but the judiciary, appointed by the King, rarely acts independently. If Mohammed VI is granted ultimate decision-making authority, there is little room for rulings to be made that are contrary to his wishes. The King has the right to grant clemency to whomever he wishes, making appeals and protocols within the judiciary practically irrelevant. This deeply-rooted integration of the various branches and levels of government, including the monarch, makhzen (as exemplified by the Ministry of the Interior under Basri ), and judiciary, indicates that achievement of reform faces substantial impediments.

## **Women's Rights**

Despite guarantees in the Constitution and in international human rights conventions ratified with reservations, the Penal and Personal Status Codes fail to protect the rights of women and are applied in a discriminatory manner.

- **Familial.** Marriage, polygamy, divorce, child-bearing, and inheritance laws discriminate against and result in the abuse of women. Considered a legal minor for life, a girl may be forced by her tutor (legal guardian) to marry as early as 12 years. A woman may be subject to a polygamous marriage or be repudiated by her husband without any of the constraints required of woman to obtain a divorce. Sons receive two times the inheritance as daughters.
- **Legal.** Women are victims of domestic and other forms of violence, while cultural and legal barriers and police corruption impede access to justice and protection. An estimated 20,000 cases of violence were reported between 1995 and 1997, leading government and women's groups to provide listening centers and legal advice for victims of domestic violence. The problem is exacerbated by illiteracy, particularly in rural areas where 92% of women cannot read or write.
- **Economic.** Upper class women hold an estimated 29.9% of the total liberal and scientific posts and have access to careers in politics, aviation, university teaching and other fields. However, the majority, in particular rural women, lack education and access to the paid workforce.
- **Political.** Thirty-five of the 325 seats in the lower house are held by women, resulting from a quota system introduced by the ruling coalition in the last session, ending in 1999. At 11.7% representation, up from 0.6%, Morocco is first in women's representation in the Arab world and nearing rates in Europe (15%) and the US (16%).

Although subtle signs of democratization have appeared in many areas of governance during the last ten years, improved rights of women will result only from significant change to the Personal Status Code (PSC). Experts hold a range of opinions on the likely outcome of the Royal Commission appointed to propose reforms, but the fact that the Commission is led by a well-respected political figure lends legitimacy to the issue of women's rights being seen as a serious political reform. On the one hand, religious scholars and traditionalists are a powerful faction that appeal to the strong cultural commitment to immutability of the Qur'an and the hadith. For instance, Islamists protested massively against a government plan to improve the conditions of women

through reform of the Moudawana (personal status code based on a mixture of custom and Islamic law). On the other, Morocco is increasingly integrated into a global system from which it feels pressure to implement the international conventions it has ratified. Mohammed VI seeks change that will allow the Kingdom to be viewed as a country governed by the rule of law, but it is clear that some groups, like the EU to which Morocco has applied for membership, will not accept reform short of the amendment of the PSC. Along with the international human rights groups is a strong and increasingly unified Moroccan women's movement, including members like Zaynab Radwan who is engaged in re-interpretation of the Qur'an. Domestic organizations like FAMA are demanding consultation by the government on all development questions, stating that all issues, whether unemployment or literacy, are women's issues. Change may also emerge from the growing number of university-educated young people, in particular of women. Between 1985 and 2000, female post-secondary enrollment grew an average of 6.3% per year, yielding rates of 41% total enrollment and 51% in medicine and humanities by the end of the decade. Reforming the personal status code is the ultimate test of Morocco's progress on human rights.

### **Civil and Political Rights**

Further, significant gains have been made in aspects of civil and political rights.

*Life and due process.* Upon ascending the throne, Mohammed VI pledged to outlaw incommunicado detentions and to disclose as much information as possible on past cases. There have been neither reports of politically motivated killings in the last two years nor confirmed disappearances in six years. Compensation of "disappearance" victims and their families also continues, with over 700 cases settled by the end of 2001. The 1999 passage of prison and reform law sought to address overcrowding, poor ventilation, and insufficient hygienic conditions in prisons, but debate was revived when 49 died in a 2002 prison blaze in Rabat. Further, the Government continued to implement reforms to increase judicial independence and impartiality. In 1999 the government initiated a 5-year plan for improved transparency, accountability, and professionalism in the judicial system, a process that, according to human rights groups is very slow, particularly for cases involving citizens who express unpopular or anti-government ideas. For example, a number of people were tried and sentenced to three months in prison for their participation in peaceful demonstrations celebrating the 2000 International Day of Human Rights.

*Speech.* Despite constitutional provision for freedom of expression, the government prohibits criticism of the monarchy, its role in the Western Sahara, and Islam. Under the Press Code, the Minister of Interior can confiscate publications judged offensive and prohibit reporting on specific events. Although censorship has been reduced, domestic media continue to self-censor to avoid government sanctions, foreign journalists have been expelled, certain editions of foreign and domestic publications have been banned (Le Journal, as-Sahifa, and Demain), and a Moroccan journalist has been sentenced to prison more than once in the past two years. The government owns and operates three major newspapers, three main television stations, and the official Arab press agency,

Maghreb Arab Press. To facilitate democratization, King Mohammed VI is calling for an increasingly open and free media, initiating privatization programs of state-owned media entities to improve competition and professional integrity. With the advent of satellite television and readily accessible internet, the availability of information has increased.

***Assembly and Association.*** The Constitution also provides for freedom of assembly, but authorities have forcibly disrupted demonstrations and gatherings by human rights groups and Islamist organizations in the past two years. The Constitution also provides for freedom of association, but in practice the Ministry of Interior must approve political parties and the same is true for civil society organizations. Historically, some leftist (Socialist Union of Popular Forces, USFP) and Islamist (Party of Justice and Development, PJD) groups encounter more difficulty in obtaining official approval, although individual Islamists are not restricted from participating in recognized political parties.

***Religion.*** While Islam is the state religion, the Constitution allows Christian and Jewish communities to openly practice their faiths. However, the government restricts proselytizing and the distribution of religious materials, particularly of Arabic Bibles. In addition, Jewish synagogues remain limited in the extent to which they can display icons of worship. The government also places restrictions on the religious activities of Muslims and Islamic organizations that it perceives to have become political in nature.

Given the salience of human rights and Islamist groups, both may play a role as counter-influences to the makhzen. Particularly notable among the Islamist groups is the Justice and Charity Organization (al-'Adl wa al-Ihsan, JCO), headed by Sheikh Abdeslam Yassine. Yassine was released in March 2000 after 11 years under house arrest for refusing to acknowledge the religious authority of the King. The JCO was barred as a political party and the government continued to block the publication of newspapers and the websites of other political parties. On the other hand, human rights groups play a role in promoting all aspects of social and political rights, while Islamist groups also challenge the makhzen by taking advantage of the government's limited ability to provide services that benefit needy portions of the populace - setting up blood banks, soup kitchens, homeless shelters and even schools.

## **Western Sahara Conflict**

Between 1975 and 1979 Morocco annexed the Western Sahara, an area rich in important mineral and fishing resources, beginning a protracted 26-year-old conflict over sovereignty that has impacted development in both regions. In 2003, the UN extended its Mission in Western Sahara, established in 1991, in order to grant Morocco and the Polisario Front, the two sides in the issue, time to consider a settlement proposal. In the most recent plan (summer of 2002), the UN gave limited autonomy to the disputed territory during negotiations of a final settlement, but guarantees Morocco sovereignty over the territory for four years preceding a final referendum. The Saharawi population would have control over their own economic and social affairs although internal security

affairs would belong to the Moroccan government. Morocco tentatively accepted the plan, but the Polisario Front rejected the proposal. Arguments regarding voting eligibility have stalled the settlement for over a decade. Morocco fought for the right to appeal each individual's right-to-vote in order to ensure a majority on its side, while seeking to disqualify sections of the Saharawi population who have fled the conflict region. Morocco's involvement in the contested Western Sahara creates an international stigma, drains half its military budget, perpetuates low levels of education and healthcare provision in the region, and calls into question human rights and democratization.

The present situation in the Western Sahara is one of faltering progress towards human rights and the proposed referendum. The Moroccan Human Rights Advisory Board (CCDH) had dealt with only 148 out of 5819 compensation claims associated with the conflict. There remains slow progress in the release of political prisoners and repeated reports of torture. In all, over 1400 Moroccan prisoners are still being held captive and 150,000 Saharawi refugees are living in camps in the Algerian Sahara. In addition to military expenses, the costs of 'Nation-building' exercises (including the infamous 'Green March') are estimated to cost billions of dollars. The Moroccan government's annexation of the Western Sahara, determined illegal under international law, constitutes a significant challenge to governance issues. The policies followed have had serious repercussions for the advancement of progressive governance and have 'encouraged dangerous ultra-nationalist demagoguery, strengthened the political role of the armed forces, and encouraged political repression.' Careful orchestration of the public perception of the conflict has ensured broad support based on notions of nationhood and sovereignty. The Western Sahara conflict remains off-limits in conversations, emphasizing the rigid positions held by the King and Parliament.

### **Policy and Program Change for Reaching Development Goals**

Many believe that the power structures in Morocco preclude any significant change to the status quo. Nonetheless, incremental change has begun, especially since 1999 when King Mohammed VI ascended the throne. The makhzen (including the judiciary) and the monarchy are influenced by the same growing salience of international norms of human rights and good governance as are a large portion of their constituencies. A shift of the balance of power may occur slowly through continued integration of the state and civil society into both domestic and international action networks, resulting in improved transparency, rule of law, human rights, and women's empowerment. Despite these positive signs, the government and monarchy's unspoken number one priority, the Western Sahara, is one on which it is unwilling to negotiate for any resolution short of its continued control of the region.

## **SOCIO-ECONOMIC CONDITIONS**

### **Overview**

For decades, Moroccan society has been marked by a great disparity between the rich and the poor. The poor live predominantly in rural areas, though increasingly they live in urban areas, as well. In both cases, poor Moroccans' standard of living resembles Africa's poorest societies, while other Moroccans' living conditions are more typical of a prosperous, middle-income country. Morocco's overall poor performance in human development indicators among middle income countries -- 123 among 173 countries -- is driven by the differences between these two worlds, particularly rural areas' lack of access to employment opportunities and social services such as potable water, sanitation, housing and education. Despite the government's recent poverty reduction efforts, Morocco's inequality gap has grown dramatically in the last decade due to economic forces, political decision-making, lack of social services and investment in poor areas, and other factors that will be explored. This section first summarizes the Moroccan government's poverty reduction strategies and spending. It then turns to specific issues: poverty and employment, education, hunger and nutrition, and health. Policy considerations follow at the very end of the paper. Each section discusses Morocco's rural-urban divide and the status of women and/or children, as these issues are key to understanding the country's inequalities.

### **Morocco's Development Strategy: Policy and Spending Priorities**

In recent years, the Moroccan government has begun to invest more in poverty reduction programs such as rural schools, according to international organization experts. Moroccan Ministry of Finance documents state that poverty reduction is a top priority for the country. In order to determine how committed a country is to its stated policies, policy analysts examine its spending to see whether expenditures support policymakers' stated commitments. In Morocco's case, the government's 2003 budget is not in alignment with its stated priorities, suggesting policymakers may have a problem of policy incoherence. For instance, the Moroccan government's stated priorities do not mention military affairs. However, Morocco's significant level of military spending suggests that military security is, in fact, one of the government's top concerns. Consider:

According to the Moroccan Ministry Of Finance, Morocco's top policy priorities are:

1. Combine public and private sector efforts to support investment, economic growth and employment, particularly among small and medium-sized companies.
2. Fight against poverty and social disparities through local partnerships and further structural reforms in education, basic medical coverage and unhealthy habitat.
3. Continue to balance the budget by controlling the total wage trends and reducing government expenditure, among other approaches.

4. Improve governance by adapting to an international environment, accelerating decentralization and reinforcing public freedom.

(Moroccan Ministere des Finances, 2003)

Morocco's top public expenditures include:

- **Education: 4.9% of GDP** -- Compared to other countries with similar per capita GNP, Morocco spends a lower share on primary education and a much higher share on secondary schooling, which tends to benefit the well-off in urban areas.
- **Military: 4.3% of GDP** -- Though less than the 9.2% spent by Jordan, Morocco's military expenditure is still higher than the 3% spent by developed countries such as USA. The Western Sahara conflict perhaps accounts for this.
- **Social Security and Welfare: 3% of GDP** -- The lack of spending on welfare is one factor behind Morocco's wide disparity in economic distribution.
- **Health 1.2% of GDP** -- Despite a marginal increase from 0.9 percent of GDP during the 1980s, Morocco's present public health expenditure remains low by international standards. The World Health Organization recommends that countries spend 6 percent of GDP on health investments.
- **Food Subsidies: 0.5% of GDP** -- Food subsidy spending is down from 4.5 percent of GDP in the early 1980s. According to the government, the budget cuts have been replaced primarily by donor-financed compensatory feeding programs that target vulnerable groups such as pregnant mothers and infants.

(World Development Indicators, 2002 CD-ROM)

## Poverty and Unemployment

Poverty in Morocco has grown dramatically in the last decade. From 1990 to 1998, an additional 2,127,617 Moroccans fell under the national poverty line -- an increase of 67.55 percent. Economic forces are partly behind this trend. Like many developing countries, agriculture is critical to the Moroccan economy and rural farmers, especially. Droughts severely impacted agricultural output for several years. After strong economic growth in the 1980s, Morocco's job growth dropped from 4.4 percent (1986-1991) to 1.9 percent in the 1990s (1991-1998), resulting in rising unemployment rates and per capita income stagnation. Today almost 50% of the rural population is considered to be vulnerable to changes in income, meaning they live just above the poverty line.

Other economic forces may have played a part, as well. Through the 1980s and 1990s, the Moroccan government implemented structural adjustment policies (SAPs) such as privatization, which dramatically changed the country's economy. Today, the link between SAPs and Morocco's increased poverty is a controversial topic, according to Moroccan human rights leaders. These leaders say low-skilled workers -- such as urban women and rural workers -- have been displaced under SAPs, as industries increasingly rely on technology for their labor needs. Some researchers have shown many problems

with SAPs in other parts of the world (among them: they do not generate new investment and increase poverty). Empirical evidence on the effects of SAPs in Morocco, specifically, is inconclusive. Clearly, more research is needed to determine these important causal relationships.

Meanwhile, demographic, social and political issues have also been behind Morocco's poverty growth. High fertility rates have reduced the poor's ability to invest in their children's skills, as families have kept children out of school in order for them to work and contribute to the family's income. Historic problems of unequal distribution of land and income, and unequal government spending, also exacerbate the problem.

*Rural Areas: Women Face Increased Demands; Equal Rights Lag Behind*

At least 75% of Morocco's poor live in rural areas. With few alternative jobs and growing unemployment, rural men have migrated to cities to find jobs, increasing demands on women at home and at work. Poor women from landless families work longer hours in industries such as poultry-raising. Yet while Morocco's economy increasingly relies upon women's labor, women receive very little support, legal protection or safety nets. Despite the fact that men and women have equal nominal labor rights -- including equal pay -- Moroccan women earn 71% of men's wages in agricultural industries. Rural women have little access to land, money or credit due to illiteracy and cultural traditions. They also lack decision-making power, and face limited mobility due to cultural constraints.

Government spending in rural social services has been low historically -- and continues to be. With little political power and resources, rural Morocco has simply not been a government priority. This is particularly true for marginalized groups such as women, children and the Amazigh (Berbers). Under the new king, investments in rural schools and other services have been forthcoming. This change appears to be the result of a number of factors, including the Islamist political party's efforts to attract support by offering social services in poor rural and urban areas; a growing grassroots movement on behalf of vulnerable populations; and guidelines such as the World Bank structural adjustment program. However, the most important factor seems to be necessity. With growing pressures on inadequate urban resources, officials appear to be investing in rural services in order to stem the tide of rural-urban migration. Even now, however, the government's present level of investment is not high enough to equalize rural areas' access to social services to urban areas in the foreseeable future.

*Urban Areas: Poverty Drives Children to Work, Unemployment Continues to Rise*

Rural men have not been the only people to migrate to cities. Rural parents, desperate for income for their families, have been forced to send their children to work in urban areas. Today 538,000 child laborers work in Morocco, according to the government. Among them are an estimated 50,000 child maids -- overwhelmingly girls -- whose parents "contract" them to urban families. The practice is socially tolerated and unregulated by the government. For more information on the effects of urbanization, please see page 22.

Urban unemployment rates have continued to soar, reaching at least 20 percent. Almost

65% of youth are unemployed, with the urban educated particularly affected. Many college graduates have liberal arts degrees, a mismatch for Morocco's increasingly tech-oriented economy. For more information on the link between education and unemployment, please see page 18.

## **Education**

Morocco has among the lowest primary school enrollment rates and largest gender gaps in the world. At the primary level, 48% of females and 68% of males were enrolled, producing a gender gap of 20%. Whereas 89% of urban children enrolled, only 37% of rural children did so. A key consequence of low enrollment is illiteracy. National illiteracy rates were 38.2% for men and 63.9% for women in 2000. In rural areas averages soar beyond 80%, making rural Moroccans -- men and women alike -- among the world's least educated.

Morocco is facing two big challenges: improving access to basic education and improving the quality of an outdated system. On the access side, spending reforms are needed. Although half of Morocco's population lives in rural areas, only about 10% of education expenditures are spent in rural areas. In urban areas, reforms that equalize education spending between rich and working-class people are needed. While the wealthy benefit from 65% of education spending, only 5.5% goes to the poor.

On the quality side, the educational system must be reformed in order to better equip students with the ability to analyze and interpret information, and be self-reliant in the workforce. While industry is rapidly becoming "high-tech" under the pressure of international competition, Morocco is still at a stage where its schools are "low-tech." Please see page 18 for more information on this topic.

## **Hunger and Nutrition**

Morocco is a middle-income country that has unusually high levels of malnutrition due to extremely unequal distribution of food access. Higher levels of vulnerability are particularly pronounced in rural areas. The country's high level of malnutrition is especially unusual for a country with a gross national product (GNP) equivalent to \$1,240 (\$US) in 1998. The United Nations Food and Agricultural Organization (FAO) estimated in early 2003 that the overall percentage of Moroccans suffering from food deficits was 10%. In a sample survey involving 2,249 preschool children, the Moroccan government identified 28.5% of children as chronically malnourished and 15% underweight, according to a 1999-2000 report. In light of these unusually high rates, the Moroccan Ministry of Public Health (MPH) began to concentrate efforts on reducing malnutrition levels. Between 1995 and 2000, percentages of stunted children 5-years-old or younger -- that is, children who suffer from chronic malnutrition -- dropped to 23%, while moderate acute levels total 4% and 10% of children were underweight.

Economic, political and social factors contribute to the causes and perpetuation of malnutrition in Morocco. The ability to pay for food often determines which households

remain in need. Poor resource management brought on by famine or other threatening environmental disasters may also account for prevalence in malnutrition.

Certain elements of Moroccan culture appear to contribute to malnutrition, as well. The average Moroccan diet typically consists of low-protein foods including cereals, grains, oils and fats, while lacking protein-rich nutrients found in products such as milk, meat, legumes, eggs and fish. Due to protein and energy deficiencies and an inadequate intake of micronutrients, nutrition-related diseases such as Vitamin A Deficiency (VAD), Iron Deficiency Anemia (IDA) and Iodine Deficiency Disorders (IDD) have emerged in Morocco. Women and children are at greatest risk. The continued marginalization of women in Moroccan society limits food consumption whereby households await the arrival of the father to return home from work late in the afternoon to begin preparing the meal for the day. As a result, toddlers and school children are totally dependent on household food availability, especially if they are not involved in additional food aid programs (i.e. school feeding). Additionally, because Muslim tradition places priority on males above females, the mother will typically serve the best portions of the meals to the father.

## **Health**

Moroccans' quality of health is highly dependent upon their socio-economic status, gender and age. Because health care costs are not distributed by ability to pay, the burden of payment is on individuals. Low-income households are unable to utilize services because visits and drugs are costly and in short supply. For example, the average cost of a visit to a specialist is equivalent to 2.5 days of work. The lack of government subsidization of health care for the poor also contributes to extreme health disparities. The World Health Organization gives Morocco a poor rating (126 out of 191 nations) for "equity of the financial contribution to health systems."

Government program targeting, focusing on urban areas and men, also reveals inequalities. Government spending is concentrated in urban communities, leaving rural areas with insufficient numbers of private practices, hospital beds, and pharmacies. The World Bank estimates 14% of rural Moroccans lack any primary health care service. Rural residents face both financial and physical access barriers when seeking health care, including limited access to health clinics, safe drinking water and adequate sanitation. This urban-rural dual reality severely distorts Morocco's national statistics. Meanwhile, government health policies have not prioritized women, children and others who have little political clout, though recent investments in Maternal and Child Health programs suggest policymakers are re-thinking their traditional approach to health programs.

Low overall government spending is also an issue. Morocco's health spending in 2000 totaled 4.5% of gross domestic product in terms of PPP (or \$166 per person), which was considerably lower than that of neighboring countries with similar levels of economic development such as Tunisia (7%), Iran (5.5%), Jordan (8.1%), and Lebanon (11.8%). The Ministry of Health (MOH) budget is inadequate at less than 5% of the government's budget, down from 7% in the 1960s.

### *Diseases*

About 40% of all deaths in Morocco are attributed to communicable diseases and malnutrition; 50% to non-communicable diseases (including cancers and heart disease); and 10% to injury. Many deaths stem from preventable diseases such as tuberculosis. The percentage of deaths caused by infectious diseases and malnutrition is significantly higher among low-income people than among high-income people. Morocco is meeting the World Health Organization (WHO) targets for the proportion of tuberculosis cases treated under DOTS (directly observed treatment, short-course). Malaria is not endemic in most of the country.

The prevalence of HIV/AIDS is very low at less than 0.1% of the adult population. However, at least 13,000 Moroccans are infected and increased testing could reveal a larger epidemic. Conditions are ripe for a rapid emergence. The more than 600,000 cases of other sexually transmitted infections reported annually indicate that a significant number of Moroccans are at risk of contracting HIV from unsafe sexual practices if preventive measures are not taken. A significant sex tourism industry also raises concerns among policymakers.

### *Maternal and Child Health*

With targeted health programs for mothers and children, Morocco has begun to make great strides in reducing its population growth rate and childhood immunizations. Due to improvements in education, health care and access to contraceptives, the total growth rate has plummeted from 7 children to 3.1 children per woman within 40 years (1960-2001). In recent years, the Ministry of Public Health has apportioned 16% of their budget to Mother and Child Health (MCH) programs. In 1998, this amount equaled to DH 533 million. The bulk of the MCH budget goes towards public health programs (52%), maternity wards (25%), and pediatric wards (23%).

Given the recent investments into MCH programs, it is surprising to see such high infant and maternal mortality rates. Child mortality remains high, as 58 males and 55 females die per 1000 children. This is despite the fact that childhood vaccination rates are high. Maternal mortality looms high as well, at a ratio of 390 deaths per 100,000 live births. Morocco's maternal mortality ratio is significantly higher than its neighboring countries, reflecting the country's stark disparity of contraceptive use and antenatal care. Due to the scarcity of health professionals, especially in rural communities, women lack medical attention to ensure that both mother and baby are healthy and nourished. The young age of many mothers also concerns policymakers, as younger mothers' bodies may not be fully developed for birthing. About one in five Moroccan women, or 19.2 percent, give birth to their first child before age 20.

### **Policy Considerations and Conclusions**

In order to meet the United Nations Millennium Development Goals (MDGs), Morocco must commit to and execute policies and programs that level its inequality gaps between the poor and rich, men and women and the most marginalized and the most empowered

people in its society. (Please see page 28 for the Millennium Development Goals in detail.) Specifically, it must consider the following:

### **Poverty and Employment**

*MDG #1, Part 1: Eradicating extreme poverty and hunger by halving the proportion of people whose income is less than \$1 a day by 2015.*

Morocco has an urgent need for balanced economic growth and equitable distribution of the gains. Empirical research shows that economic growth is vital for poverty alleviation: a 1% increase in growth reduces on average the percentage of poor by 2%. With poverty growing at an alarming rate, the government could face social upheaval if they do not succeed in creating jobs in the near future. The agricultural sector, prone to droughts and under increasing environmental degradation, will only face greater constraints in the years ahead with additional macroeconomic adjustment. Strategies are needed that treat this as a period of transition rather than a temporary shock. One way toward balanced growth is to invest in programs that increase rural employment such as: (1) setting aside minimum quotas for rural businesses, as promoted by USAID; (2) improving credit access for rural entrepreneurs; and (3) diversifying the economy. Presently, the Moroccan government is considering tourism as a solution to rural areas' woes. More likely, the future will need to include a balance between subsistence agriculture, cash crop production, industry creation, as well as migration to urban industries (such as fisheries, textiles, phosphates, and banking services). In particular, development initiatives aimed at improving women's income productivity must consider women's already heavy burden, as women often work 11-16 hours a day on agricultural and household tasks. Policies designed to reduce rural areas' vulnerability to the ups and downs of the agricultural sector should also be considered.

While the Economic Section will address Morocco's options for generating economic growth, other government strategies are also needed to insure equitable distribution. In order to insure equitable gains, leaders may need to consider tax policy reform and other measures. Specifically, policymakers should consider increasing its social service spending on the poor. The responsible targeting and redirecting of public funds could help achieve this goal. For example, in order to free up money for the most needy, the administration could explore a pricing strategy for services that charges people based on their ability to pay (i.e. well-off Moroccans would pay higher fees for services, in order to subsidize the poor), which would help level income inequality. Greater enforcement of labor laws are also needed, including child labor laws, if Morocco is to meet the Millennium Goal of reducing child labor.

Lastly, government officials should be cautious until further research shows the effects of SAPs on Morocco. Officials could also consider policies such as pacing in order to help the poor adjust to further economic changes.

### **Education**

*MDG #2 and #3: Achieving universal primary education for boys and girls alike, and the poor.*

Morocco must do much more in order to meet the MDGs. Under King Hassan II's advisement, the government has targeted girls' and rural primary enrollment through building rural schools. Education advisors also envisage improvements in governance (including decentralization) and human resource reform. Charging fees for the rich and introducing new technologies to schools such as the Internet are also potential changes. Recently government officials set a target to reduce adult illiteracy by one-half by 2010. National expenditures on education appear to be sufficient to meet this goal. Public expenditure on education absorbs almost half of public spending on social sectors, reaching 5.8% of GDP in 1998, which is about average by international comparison. However, limited institutional efficiency and insufficient focus on primary education still result in low quality and limited access to existing education services. Even today, most school expenditures are focused on urban areas. In order to meet their stated goals, Moroccan leaders must keep their commitments and carry out reforms that equalize spending between girls and boys, and the poor and the well-off. For now, given the lack of resources to simultaneously improve access and quality, Morocco's short-run priority should be reducing the urban-rural and gender gaps in primary education access.

### **Hunger and Nutrition**

*MDG #1, Part 2: Halve the proportion of people who suffer from hunger by 2015.*

In hopes of meeting the MDG, Morocco must continue to support programs that lower the prevalence of underweight in children five years or younger, as well as reduce the proportion of malnutrition below minimum level of dietary energy consumption. In light of recent elections during which women gained a record number of Parliamentary seats, it is hopeful that policymakers will undertake more aggressive nutrition policies aimed at benefiting marginalized Moroccans, such as women and children. Their empowerment appears to be key to improving Moroccans' nutritional health.

### **Health**

*MDGs #4 and #5: Reducing Child Mortality and Improving Maternal Health by 2015.*

Morocco's health care progress is hindered by (1) low funding for preventative programs and health infrastructure, (2) gender insensitivity, and (3) inequity of access to health care, particularly in rural areas. The health budget needs to be increased. Leaders should target marginalized populations--- children, women, and the rural poor -- to address the country's extreme disparity in health services and quality. They may have little choice; during the last elections, the Islamic party mobilized to fund health services in rural communities. Meanwhile, under more intensive international pressure from donor agencies such as UNFPA and the World Bank, the government has taken out a few loans to augment their health expenditures.

Specifically, Moroccan leaders must divert more resources to preventive health care, including basic sanitation, vector control, environmental safety programs, nutrition education, waterborne disease control, and epidemiological monitoring. Health spending should focus on primary care, rather than on supporting large urban hospitals. Regarding

maternal and child health care, further needs assessment and program evaluation should be undertaken to identify the effectiveness of current health programs to better meet the needs of mothers and children. Programs that help increase the number of maternal health professionals in rural areas are also needed, such as subsidizing such workers' wages or offering college tuition reimbursement for students who work in rural areas after college. Lastly, policymakers should invest more money in educating women so that they will defer childbearing until later age.

*MDG #6: Halt and reverse the spread of HIV/AIDS and the Incidence of Malaria and other diseases*

To meet this goal, resources need to be devoted to early detection programs and treatment of tuberculosis, childhood immunization programs and HIV. An accurate assessment of Morocco's HIV/AIDS epidemic would allow for better allocation of resources to high prevalence populations, including drug users, prostitutes, migrants and urban residents. Testing will allow infected people to receive treatment, counseling and education. A realistic assessment picture will also facilitate receipt of aid money from foreign governments, international NGOs and pharmaceutical companies, as well.

## **ECONOMIC POLICY**

Under both the broad based sustainable development and millennium development goals frameworks, policy-driven economic growth is a necessary, although not sufficient, condition for development. Morocco has adopted a policy-driven economic growth approach to implement its development strategy. Indicators of Morocco's approach include - economic growth, stable macroeconomic conditions, relatively full employment, structural transformation and external equilibrium.

### **Current State**

Morocco is an agricultural, lower middle-income country , where growth has been steady but slow. In 2001, Morocco had a GDP of US\$ 33.7 billion and a per capita GDP of US\$ 1,180, compared to Jordan's GDP of US\$ 8.8 billion, per capita GDP of US\$ 1,750 and Tunisia's GDP of US\$ 20 billion, per capita GDP of US\$ 2,070 .

The average growth rate of the Moroccan economy in the past six years has been 2.6% (1995-2001). Morocco has used policy to create the relatively stable macroeconomic environment that has fostered this growth, such as public sector reforms and privatization. Yet, several factors continue to threaten Morocco's stability. First, continuous droughts have forced the Moroccan government to reassess the economy's over-reliance on agriculture. As such, the Moroccan government has been shifting towards value-added exports. Second, Morocco's external debt has been financed internally through debt-equity swaps . Coupled with a large public sector wage bill, this has produced an unwieldy and risky fiscal burden. Third, the growth rate has been considered too low to effectively reduce the extremely high levels of unemployment.

In the hopes of increasing foreign direct investment (FDI), tax revenue, and participation in the international economy, the Moroccan government has been structuring the country's development policies around economic growth strategies, such as public sector reforms, privatization of state-owned enterprises (SOEs), structural adjustment, Free Trade Agreements (FTAs) and corporate governance reforms. In the long term, it is expected that the implementation of these policies will expand and modernize the economy. Yet, economic growth is not a sufficient condition for development: in the short-run, these reforms may worsen the unemployment, poverty and inequality problems. Social welfare and redistribution of resources must also be considered.

### **Macroeconomic Conditions:**

#### **Monetary Policy**

Stable macroeconomic conditions are necessary to foster growth. This includes market-driven savings and investment rates which foster the creation and growth of firms and stable prices for consumers through the regulation of inflation and exchange rates. The Moroccan government has succeeded in maintaining a steadily growing GDP through the diligent implementation of these policies.

In the 1980s and 1990s, Bank al Maghrib, Morocco's Central Bank, introduced Financial Sector reforms. These reforms were highly effective in allowing interest rates to be responsive to the market, thereby increasing the rates of savings and investment. As part of the reforms, the Moroccan government adopted an "expansionary policy," thus increasing the money supply in the economy. Although such a policy typically increases inflation, Morocco has maintained an average inflation rate of 1%, between 1992 and 2001, suggesting either that its monetary system was in flux or that firms were capable of absorbing production increases without increasing prices.

Since 1995, Bank al Maghrib has controlled the exchange rates in the past several years by keeping the Dirham slowly and steadily depreciating against a basket of currencies. In May 2001, the Bank reapportioned the basket to give more weight to the Euro, resulting in a 5% devaluation of the currency. This devaluation has improved Morocco's terms of trade by making exports cheaper.

### **Fiscal Policy**

The Moroccan government uses three financing methods: tax revenue, non-tax revenues (revenues from privatization) and official development aid (ODA). Fiscal burdens have been highly responsive to changes in Moroccan policy objectives over time. For instance, trade liberalization has altered the tax structure several times: for example, in the 1980s, taxes on imports composed almost one quarter of all tax revenue. In contrast, by the year 2000, only 15% of tax revenue originated from trade transactions. This revenue source is slated to decrease even further with the introduction of the free trade agreement (FTA) and will be replaced by increases in income taxes.

In 1999-2000, the government expenditure was a massive US \$13.7 billion, or 39% of GDP. Operating costs (mostly in terms of wages and salaries), were among the highest in the world and formed approximately 45% of the budget, while 28.5% of the budget was spent on debt repayment. Only 26.5% of the government budget was left to finance public infrastructure projects, social insurance, welfare missions and poverty-reduction programs. Morocco continues to face chronic fiscal deficits as government receipts fall far short of expenditures.

### **Unemployment**

Morocco's macroeconomic stability has been threatened by the presence of high levels of unemployment, especially among the urban population and the highly educated. In 2000, urban unemployment was 20.2%, compared to reported rural unemployment rates of 5%. Twenty-seven percent unemployment was recorded among young university graduates. This figure reflects the mismatch that exists between education and the skills required by the labor market, thus highlighting the failure of the Moroccan educational system to promote skill-based learning. In addition, Morocco also lacks expanding job opportunities that keep pace with the increased movement to urban centers and university graduations. For more information on the link between education and unemployment, please see page 12.

Inadequate infrastructure, droughts and the lack of sustainable employment opportunities

in rural areas have led to a huge exodus to the urban areas, exacerbating the employment crisis in cities. The manufacturing sector's lack of competitiveness has been another major factor giving rise to unemployment. Its average growth rate dropped to 2.6 % in the 1990s, less than half of that in other emerging economies. In addition, the public sector, which has long been one of Morocco's largest employers, is reducing its excess labor force and burgeoning wage bill. However, service sector industries such as tourism and information technology, are growing rapidly and may be able to absorb a significant percentage of the workforce in the future.

The Moroccan government has recognized its unemployment problem and has undertaken several measures in recent years to alleviate it. A strategy for educational reform was introduced in the National Charter for Education and Training, drafted in 1999, to improve the governance of universities and human resources and to increase partnerships with the private sector. It focused on enhancing the quality of education and ensuring that higher education responds to business needs and requirements. Under this charter, primary education reform has been accorded priority. Micro-credit schemes to reduce university graduate unemployment through the promotion of self-employment have also been introduced.

### **Economy in Transition:**

#### **Structural Adjustment**

In 2000, the primary sector – agriculture, fishing and mining, employed 48% of the country's workforce but contributed only 16% to GDP. The secondary and tertiary sectors employed 20% and 32% of the workforce and accounted for 30% and 54% of GDP, respectively. These figures show the disproportionate distribution of human resources across low-value-added economic activities in Morocco, resulting in low average wages, volatile economic cycles, and high levels of poverty.

The Free Trade Agreement (FTA) under negotiation with the US poses a serious threat to Morocco's main source of revenue - agriculture. For example, the price at which wheat can be sold in Morocco is US\$3.92/ton; whereas, in the US it is US\$1.00/ton. The availability of imported wheat at such low prices will severely harm the domestic agricultural sector. To make up for the rural job losses, USAID and other NGOs are promoting "cultural-tourism," where tourists experience the life-style of a traditional Moroccan family. Although an attractive proposition, inadequate rural infrastructure and limited proceeds make the project incapable of absorbing the massive labor displacement.

Thus far, the government has focused on granting tax exemptions to foreign firms instead of designing new micro-credit programs to promote small and medium-sized enterprises or providing incentives to expand the private sector. Micro-finance programs, simplified government procedures, and the creation of adequate infrastructure are necessary to diversify and facilitate investments in high-value added activities. The following are some viable high-value added sectors for development in Morocco: (1) Mechanics, metallurgy, electricity and electronics (MME&E); (2) Leather (3) Chemicals, Para-chemicals and building materials (CP&BM) (4) Textiles (5) Foodstuffs and (6) Tourism.

## **Privatization**

The Moroccan national budget, which constantly generates a deficit, relies on revenues from privatization. If successfully implemented, privatization will force state-owned enterprises (SOEs), which are usually inefficient due to the absence of foreign competition, high labor cost and soft budget constraints, to face increased competition and boost their productivity. In their bid to increase efficiencies through privatization, several countries experienced an increase in unemployment, but in Morocco, privatization has not yet led to a significant reduction in employment. However, privatization is still a relatively new phenomenon in Morocco, and its effects have yet to be determined.

Due to the success of the first privatizations in 1993, Morocco began to privatize others sectors such as energy, manufacturing, tourism (hotels), mining, steel, transportation, power, banking, water/wastewater management and telecommunication. By the end of 1999, 78 SOEs had been privatized, and the cumulative revenue from privatization reached US\$3.1 billion. Not many privatization cases occurred in 2000, but in 2001, the largest privatization ever occurred when 35% of Maroc Telecom was sold to a French telecommunication company, Vivendi, for US\$2.1 billion (6% of the GDP) . Privatization has led to a significant increase in FDI in Morocco. Although, privatization may resolve some budget issues in the short run, it is not a sustainable strategy for increasing government revenue.

## **External Equilibrium:**

### **Foreign Direct Investment**

Foreign direct investment (FDI) can have a significant impact on a country's economy, and it can strengthen that country's position for the future as well. In the short term, FDI increases an economy's capital account and provides jobs to local laborers (accurate employment figures were not available at the time of publishing). It can also increase export opportunities and provide technological spillovers that would make the local economy more efficient and thereby more attractive for future investment capital.

Morocco boasts four major characteristics that are attractive to foreign investors. First, Morocco has an established a free trade agreement with Europe and is currently negotiating a Free Trade Agreement with the United States. Such agreements will allow foreign investors to trade freely within these regions without bearing the cost of tariffs. Second, Morocco is a politically stable and tolerant country and has a history dating back to the eighth century. Third, foreign investors can realize relatively low production costs, as well as low transport costs, to Europe and other African countries. Fourth, the government strongly supports foreign investment through various tax incentives and the establishment of free trade zones for import/export activities. It has also recently created "investment centers" which dramatically reduced government red tape associated with establishing new businesses. The Casablanca investment center, for example, has reduced turnaround time for establishing a business from 6 weeks to one week .

However, companies doing business in Morocco have identified some core weaknesses that may discourage foreign investment. In 2001, the American Chamber of Commerce in Morocco (AMCHAM) conducted a survey of executive perceptions about business in Morocco. The survey results indicate three major themes regarding perceived disadvantages of conducting business in Morocco: “(1) a legal system that is viewed as inefficient, lacking evenhandedness and impartiality and prone to corruption (2) an educational system that does not meet the needs of the real world and (3) a labor environment whose productivity could be improved, and where legal structure and union activism leave a lot to be desired”.

### **Trade**

For the last twenty years, Morocco has implemented trade liberalization policies such as the reduction of tariffs and abolition of most quantitative restrictions, including quotas. In 1987, Morocco joined the General Agreement on Tariffs and Trade (GATT), the predecessor of the present World Trade Organization (WTO). These steps have helped to integrate the Moroccan economy into the world economy. However, market access problems still exist.

First, according to the World Bank, Morocco’s manufacturing sector lacks dynamism and has lost its competitiveness. This was reflected in slower export growth and loss of market share, resulting in an increase in unemployment and poverty in urban areas. Further, according to the Economic Research Forum , Central and Eastern European countries have improved the quality of their products while reducing costs and will be strong competitors for MENA (Middle East and North Africa) countries for the EU textile and clothing markets.

Second, although Morocco has proceeded towards trade liberalization, it still has some restrictive trade measures protecting its domestic products, especially agricultural crops such as cereals, soft wheat, oilseed, sugar, milk and meat, under its food security policy . The Moroccan Foreign Trade Act provides for levies on imports of certain staple foods. Underlying such restrictive measures, is Morocco’s difficulty in balancing both continued trade liberalization – which requires Morocco to reduce trade protection – and export promotion – which requires Morocco to protect domestic industry and employment with trade restrictive measures.

### **Free Trade Agreements (FTAs)**

Morocco’s location across the Strait of Gibraltar makes it attractive as an export platform into the European Union. Morocco signed the Association Agreement with the EU (AAEU), which became effective in 2000 and aims at developing a free trade zone for industrial products by 2012. As of January 2003, Morocco began negotiating a bilateral Free Trade Agreement with the U.S. U.S. interests in Morocco stem from its geographical location and the U.S. desire to improve relations with a friendly Muslim nation.

The Moroccan government wants to use the FTA to attract FDI, modernize the economy, and as leverage to improve terms of trade with its European trading partners.

Theoretically, the FTA will introduce competitiveness, which will promote market efficiencies. The FTA will also improve transparency and corporate governance practices, which in turn will promote efficiency within the public and private sectors. With the implementation of the FTA, trade barriers will be eliminated completely thereby boosting foreign investments in Morocco .

The FTA has its share of costs - Moroccan farmers stand to lose their market share to cheaper American grains and produce. This could aggravate the already precarious unemployment situation and increase inequality. Moroccan farmers may be forced to switch crops from wheat to value added products such as tomatoes or fruits that require more expensive inputs and stress already scarce water resources.

### **Official Development Assistance (ODA) and Debt Management**

Morocco has suffered from the ODA donor trend of decreasing amounts of ODA granted to African nations, coupled with increasing ODA granted to middle-income Asian countries, which are seen as better prospects for investors. Morocco has experienced fluctuations in development assistance in the past several years from US \$679,000,000 in 1993, increasing through 1997-1999, and then dropping to US \$419,000,000 in the year 2000 . Of this latter amount, about 46% of aid is multilateral, 35% is through bilateral country agreements, and the remaining 19% is through private loans and financing .

As suggested above, this aid predominantly plays a part in financing public infrastructure projects and social welfare programs, sponsoring programs that the government cannot fund. For instance, current ODA financed programs include water-resource management, transportation, and other programs aimed at increasing business opportunities.

In 2001, 84.2% of Moroccan ODA was in loans, and only 15.8% was in grants. The government has been steadily repaying its external debt since the rescheduling in 1992. Currently, the outstanding external debt relative to GDP has declined from 68.7% at the end of FY 1995 to 35% at the end of FY 2002 . In part, this reduction has been financed through a conservative external borrowing policy and debt-equity swaps, meaning that external debt has been financed by taking on internal debt, or a fiscal deficit, mostly through debt-equity swaps .

### **Policy Challenges & Conclusions**

There are certain themes that challenge the Moroccan economy:

- **Labor Demand and Supply:** The disconnect between the education sector and the labor market poses a significant threat to full employment, and thus, the Moroccan economy's ability to reach its full potential. Moreover, this may pose a challenge to the procurement of future FDI, as foreign investors find that the labor force does not have the appropriate skills.
- **Public Deficit:** The large public sector wage bill and external debt financing obligations have inflicted a significant toll on the public deficit, at the detriment

of public infrastructure and social welfare programs. Reform may be necessary to decrease these expenditures.

- **Modernization and Growth:** Increasing the pace of economic modernization through structural adjustment and privatization would increase the growth rate and decrease unemployment at least in the long term.
- **Legal Reforms:** Corruption, governance problems and a weak legal infrastructure increase the investment risk in Morocco. It may be necessary to institute legal reforms in order to attract and protect future FDI.
- **Policy-Driven Economic Growth:** These strategies demonstrate the Moroccan government's focus on policy-driven economic growth strategies. Although these policies are necessary to expand and modernize the economy, they may lead to increases in unemployment, poverty and inequality. A holistic development strategy must consider and account for these contingencies through social welfare and poverty-reduction programs.

## **THE ENVIRONMENT**

In recent decades, Morocco's rapid population growth, urbanization, industrialization, and export-intensive agricultural practices have contributed to environmental degradation. Morocco's Department of the Environment committed to an environmental policy based on an integrated and participatory approach aimed at reconciling the needs for development and the requirements of environmental protection. As economic development proceeds, it will become increasingly necessary for decision-makers to shape policies that recognize the importance of these issues while working toward meeting the Millennium Development Goal of ensuring environmental sustainability. Several topics, covered below – urbanization, agriculture, water use, energy, biodiversity and forest management, fisheries, and tourism are particularly pressing and illustrate the breadth, scope, and interrelatedness of environmental issues in Morocco.

### **Urbanization**

Around 57% of the Moroccan population lives in urban areas. If the present growth rate continues, by 2010 seven out of ten people are expected to live in urban areas. The major urban environmental problems facing Morocco are:

- Proliferation of slums and shanties in urban centers.
- Inadequate and inefficient mechanisms for the provision and delivery of basic infrastructure facilities, especially solid and liquid waste disposal and water supply.
- Deterioration of the urban fabric and historical heritage of the medina.
- Pollution from traditional industries like tanneries, metal-works and olive processing plants.

The 1990s have seen a more coordinated approach to tackle environmental problems. At the institutional level the departments concerned with human settlements and territory (Ministry of Territory Development, Urban Planning, Housing and Environment) have been combined to enhance coherence of actions within the regional context. There also has been a conscious effort to decentralize decision making to the local level so that implemented development projects are in tune with the needs of the community.

Morocco is taking a step in the right direction by linking urban environmental preservation with social and economic development through its national environmental policy. However, the continuous migration of the rural population, low literacy and high levels of urban poverty, pose a serious problem in tackling issues of hygiene, sanitation, urban improvements and basic health.

There is an acute shortage in the number of treatment plants for solid and liquid wastes. At present most wastewater from the cities flows untreated into the rivers. The heavy capital investment required for the construction of plants and the lack of technical and administrative capabilities makes it difficult for municipalities to tackle the problems at the local level. Although water supply and solid waste collection has been successfully

privatized in Casablanca and Rabat, smaller urban centers have neither the resources nor the market for such a possibility. It is therefore important that the government encourage private investment and sharing of resources between municipalities in the investment and delivery of public infrastructure through subsidies and financial incentives.

Although Morocco's environmental policy is recent, not all the drafting laws have been implemented. The pollution standards, zoning and housing regulations are being established in only a few cities. The absence of guidelines and standards makes it difficult for agencies to monitor and penalize the polluters. For more information on the effects of urbanization, please see page 12.

## **Agriculture**

The agriculture sector in Morocco employs about 40% of the total workforce, 80% of the rural workforce and contributes around 20% to GDP and 30% to export earnings. With increased trade liberalization, Morocco is promoting a stronger export-oriented agriculture sector. Morocco is considered a net-food importer but has increased its exports in the last decade. Its major trading partner, the European Union (EU), receives around 80% of Morocco's total agriculture exports.

Major environmental impacts arising from Morocco's agriculture sector result from its high water use. Subsidized irrigation policies have led to the planting of water intensive crops that are not sustainable for Morocco's environment. The mixing of fertilizers and pesticides in irrigation waters is causing drainage of polluted waters into rivers and lakes, and eventually back into groundwater (see section on water for more discussion). An additional factor causing environmental degradation is the declining livelihood of rural agriculture farmers. Low earning farmers that do not leave their rural residents may choose to increase their farm output by encroaching on and deteriorating marginal areas, such as forests or lands that are not suitable for farming.

Since the latter part of the 1990s, there has been a steady decline in food exports. Factors behind this trend include the three droughts Morocco experienced during the 1990s, the lack of increasing market access in the EU, and the fall in world crop prices. These factors strongly suggest lowered farm incomes and rising rural poverty.

Although rural population growth has declined in recent years, the actual number of people residing in rural areas has been fairly constant. This suggests that newer generations of rural families are moving to urban areas leaving older family members behind to farm. Despite a growth in cropland area, the food production index has been stagnant, suggesting an inability to increase agriculture production. This may be due to various reasons such as unsuitable lands for farming or the cultivation of crops that are slated for other uses such as exports rather than food consumption. The increase in cropland area in this way may pose a problem if it is a result of converting forested and other sensitive areas into farmland. This practice can lead to deforestation and desertification.

Poor farmers may also resort to increasing their yields or shifting to intensive production of export-oriented crops by utilizing unsustainable agriculture practices (increased mechanized farming practices, greater use of fertilizer, and expanded irrigation), which can have substantial environmental impacts. Additional problems can arise from poorly controlled irrigation and depletion of groundwater, loss of biodiversity from the replacement of indigenous crops with high-yielding crops or monoculture productions. Converting forested areas into farmlands also results in loss of biodiversity and carbon dioxide sinks. Burning of forested areas for farming releases carbon dioxide into the atmosphere.

## **Water Use**

Morocco is a semi-arid country with limited water availability, and the nation's reliance on irrigated agriculture creates challenges for continued economic growth. The agricultural sector is the dominant water consumer in Morocco: approximately 92% of available water resources are devoted to farming, with the remainder shared between industrial and domestic use. Limited water supplies and geographic and temporal variability in rainfall create uncertainties that can have significant economic implications: drought conditions in 1999 led to a 0.7% decline in GDP in 1999, and to a stagnant economy in 2000. Conversely, favorable rainfall contributed to a 6% growth rate in 2001.

Demographic trends will make water resource management and allocation decisions an increasing challenge in the future. With current rates of population growth (about 2% annually) and unchanged water usage patterns, per capita water availability will drop by nearly 40% by 2025. This shortage could be exacerbated by growing water demand from the industrial sector, increased standards of living, and improved water infrastructure in both urban and rural areas. Some estimates indicate that total water demand will exceed supply by 2020.

Of particular concern are the projected impacts of climate change on water availability. Climate models indicate Morocco's water resources will decrease by as much as 10%-15% by 2020. In light of the increasing demand for water, this reduction could be seen as a looming disaster. Severe socioeconomic impacts are expected in coastal zones, where flooding and permanent inundation of settlements and decreased fishing yields are forecasted.

It has been argued that the trend toward water scarcity indicates of the lack of a strategy for rational water use that ensures sustainability. The agricultural sector has been protected through trade restrictions, tax exemptions, price support and subsidies, including water, resulting in an inefficient allocation of limited water resources. It is important to note that gradual changes in water management practices in Morocco are occurring simultaneously with agricultural trade reform and structural adjustment activities.

Morocco has few options for expanding water availability. All major rivers are equipped with dams, and in many areas the resulting reservoirs are experiencing capacity

reductions due to siltation. Current groundwater extraction costs are high, and evidence suggests that a number of major aquifers are already overexploited. Opportunities exist in more effectively managing the demand for water, and in enhancing water use efficiency.

The institution of Wise Water Resources Management Practices will be critical to the environmental, economic and human health of Morocco. There are numerous signs that the Moroccan government is being proactive in addressing water issues in an integrated way: with funding from multilateral and bilateral aid programs, pilot projects have been initiated that are designed to enhance irrigation efficiency, build local capacity for water management, develop new resources, and provide infrastructure to ensure the reliable residential delivery of clean water.

In addition, the establishment in 1995 of a progressive Water Law provides a comprehensive framework for integrated water resources management. The law recognizes water resources as public property, allows for the decentralization of water management decision-making, creates a pricing schedule reflective of the costs of recovery, and institutes a water pollution tax. However, implementation of the law has been slow: in order for the elements of the law to come into effect, application decrees must be passed by the parliament and this has not occurred. In addition, coordination among the numerous government agencies with authority in various aspects of water use has been difficult.

## **Energy Use**

Morocco currently imports around 90% of its total energy needs, mostly in coal and oil. Many oil exploration projects are currently underway in Morocco. However, there is great recognized potential for wind and solar energy, which is slowly being tapped. Morocco is also in the midst of electrifying all rural areas by 2010. Currently, 35% of rural household have electricity.

Morocco's reliance on energy imports is not sustainable or practical given its great potential for in-country electricity production through renewable energies. High world oil prices and the global move towards cleaner energy production technologies as a result of the Kyoto Protocol provide ample reason and incentive for Morocco to move towards clean and less costly renewable energies.

The National Office of Electricity has committed to increasing the share of renewable energy sources, particularly solar and wind, in all energy consumption from 2% to 10% by 2010 and to 20% in 2020. This effort particularly targets rural electrification plans to meet the marked increase.

Private investment in the energy sector has grown from \$2.3 billion in 1994 to \$5.8 billion in 2000. Morocco should set a priority in channeling a substantial amount of this investment to development of the renewable energy market through the research and development and transfer of efficient energy and pollution prevention technologies.

Through trade liberalization, Morocco has the opportunity to attract foreign investment for its energy sector. So far, oil exploration and coal power plant projects have been signed in Morocco.

### **Biodiversity and Forest Management**

Morocco, with a land area of 446,000 sq km is the second most biologically diverse country in the Mediterranean basin. There are an estimated 4,000 species of vascular plants of which 20% are endemic (only found in the region and nowhere else in the world) and 550 vertebrates of which 3% are endemic. According to an IUCN report, 20% of Morocco's species are threatened. Currently, 3,620 sq km are classified as protected areas, however the majority is not fully protected. Only 0.12 % of Morocco's land area has total protection.

The principal threats to biodiversity are habitat transformation, fragmentation and degradation, due to deforestation, agriculture, urbanization, industrialization, and tourism. A large human population dependant on a subsistence economy is the primary cause of deforestation. Morocco's forestlands are open space where, in most cases, access is free. It is estimated that 50,000 ha of forest are lost per year, primarily for household energy consumption. It is also estimated that 90% of Morocco has high human disturbance.

Recent assessments and studies undertaken during the formulation of the national environmental policy contributed to the awareness of linkages between development activities and biodiversity degradation. Further, a comprehensive study of Morocco's biodiversity and protected areas was completed in 1996 with the support of the African Development Bank. As a result, Moroccan officials proposed a comprehensive strategy and investment plan to extend Morocco's protected area network and biodiversity conservation. Accordingly, Morocco increased Protected Areas from 66,000 ha to more than 3.3 million ha. The Protected Areas were chosen to encompass 100% of potential biodiversity conservation sites, however, it still only represents 5% of the country.

### **Fisheries**

Morocco's coastline is one of the richest fishing grounds in the world, covering 2,141 miles along the Mediterranean Sea and Atlantic Ocean. Fishing has been a major industry in Morocco since the 1930s and now accounts for about 45% of agricultural exports, bringing in over \$600 million of foreign exchange each year. The industry also employs over 400,000 Moroccans. Unfortunately, increased reliance on fishing is over-depleting the resource, especially through competition with European nations, particularly Spain. Subsequently, the IUCN's European Sustainable Use Specialist Group (ESUSG) has convened a special working group to investigate the "special status and trends, fisheries management, and the fisheries-environment relationship" in the Mediterranean Sea. Other Asian countries, particularly Japan, are also concerned with the sustainability of Morocco's fisheries due to high import demands. Recently, Japan partnered with Morocco in an effort to reintroduce the Red Tuna. Such partnerships are promising, however, in order to preserve its fish resources, Morocco needs to develop a

comprehensive resource management policy to limit the expansion of fishing fleets and to improve fish stock management. In addition, regulation of net sizes and sustainable quotas for some fish species should be developed based on monitoring and scientific report.

## **Tourism**

Tourism over the last two decades has become increasingly problematic. To better understand the growing trends in tourism, the Ministry of Tourism and US National Park Service undertook a technical assessment in 1986. In 1962, there were 189,000 visitors, however, in 1985 the figure grew to 1.5 million. Environmental impacts can occur with heavy development along coastal regions; roads built to remote areas can increase traffic growth; and paved roads can also attract environmentally harmful development and infrastructure in ecologically sensitive areas. Morocco is poised to take advantage of eco-tourism (tourism sensitive to the environment that sustains the well being of local people). However, there are no policies on eco-tourism that would help control the devastation caused by over-visitation.

## **Policy Challenges and Conclusions**

Truly sustainable development in Morocco cannot proceed without attention to some of the significant environmental constraints and challenges described in this report. Recent trends offer hope that environmental issues are becoming a higher priority in Moroccan politics. Among these positive signs:

- The recent adoption of forward-looking policies such as the national environmental policy and the 1995 water law.
- The proliferation and increasing participation of environmental NGOs in environmental decision-making.
- Positive statements from King Mohammed VI on the importance of environmental issues.

However, significant challenges remain. Some of the issues that present the greatest challenges for the future include:

- **Policy Cohesion:** For Morocco to be environmentally sustainable, it would require a coordinated approach to the development of rural and the urban areas. It also requires a concentrated effort by all the actors: the central authority, various ministries, local bodies and civic society, something unique in the socio-political context of the country.
- **Agriculture and Rural Development:** Although Morocco recognizes the tremendous increase in rural poverty that may result from trade liberalization of its agriculture sector, not much thought has been put into how farmers' livelihoods will be sustained. Without careful policies, such as job training, micro-credit, subsidies for transition to other crop production, and other

instruments to prevent rural poverty, farmers may resort to unsustainable farming practices or migrate to urban areas exacerbating problems there.

- Land Management: Lack of regulation for communal properties has led to unsustainable resource use. The uncontrolled and continual use of resources makes it difficult to implement regulations today, especially when there are no effective operational means for their enforcement due the remoteness of the areas in need of protection.
- Water Policy: While the 1995 law presents innovative and aggressive approaches to wiser water management, the law has yet to be enforced due to the lack of political will to pass application decrees in Parliament.
- Climate Change: Little policy work has been done in Morocco in the area of climate change adaptation strategies. Such strategies should be “mainstreamed” into existing sustainable development activities.

## CONCLUSION

Change continues to come slowly to Morocco. Progress in many areas is being made but at a pace akin to “removing the brakes one by one.” The traditional power structure of the monarchy and makhzen remains intact and it is unlikely that this balance will be altered in the foreseeable future. However, Morocco is currently facing monumental times. Voices of dissent are mobilizing to represent underserved populations, and strikingly, the government has allowed them freedom in speaking out. Additionally, pressures from abroad are encouraging Morocco to modernize its economy and social values, and to end the conflict in the Western Sahara.

Some of the broad based sustainable development and millennium goals, such as the elimination of corruption or the promotion of equal rights for women, can be realized in Morocco only upon achieving an uneasy balance between modernizing and traditional forces. However, in order to fully achieve many of the BBSDs and MDGs, such as reducing illiteracy and malnutrition, Morocco must devote additional monetary resources. Unfortunately, a large public sector and debt financing prevent the government from applying additional resources without significant growth or reform.

Like all developing countries, Morocco faces a series of challenges on its path towards sustainable development, some of which essentially conflict. In order to maintain a credible institutional foundation, Morocco should continue its strides towards upholding international human rights standards and its own rule of law. Morocco should also continue its drive for economic growth, realizing that social welfare programs and resource redistribution are also necessary in order to obtain a fruitful society. Additionally, Morocco must not forget the importance of protecting its environment from harmful degradation that would threaten future prosperity and sustainability.

Morocco holds great promise, and we look forward to following its progress.

## APPENDIX A

### THE MILLENNIUM DEVELOPMENT GOALS

#### **Goal 1: Eradicate extreme poverty and hunger**

Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 per day.

*Indicators:*

- Proportion of population below \$1 a day
- Poverty gap ratio (incidence x depth of poverty)
- Share of poorest quintile in national consumption

Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

*Indicators:*

- Prevalence of underweight in children (under five years of age)
- Proportion of population below minimum level of dietary energy consumption

#### **Goal 2: Achieve universal primary education**

Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

*Indicators:*

- Net enrollment ratio in primary education
- Proportion of pupils starting grade 1 who reach grade 5
- Literacy rate of 15 to 24-year-olds

#### **Goal 3: Promote gender equality and empower women**

Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015.

*Indicators:*

- Ratio of girls to boys in primary, secondary, and tertiary education
- Ratio of literate females to males among 15- to 24-year-olds
- Share of women in wage employment in the nonagricultural sector
- Proportion of seats held by women in national parliament

#### **Goal 4: Reduce child mortality**

Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

*Indicators:*

- Under-five mortality rate
- Infant mortality rate
- Proportion of one-year-old children immunized against measles

**Goal 5: Improve maternal health**

Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

*Indicators:*

- Maternal mortality ratio
- Proportion of births attended by skilled health personnel

**Goal 6: Combat HIV/AIDS, malaria, and other diseases**

Have halted by 2015 and begun to reverse the spread of HIV/AIDS.

*Indicators:*

- HIV prevalence among 15- to 24-year-old pregnant women
- Contraceptive prevalence rate
- Number of children orphaned by HIV/AIDS

Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

*Indicators:*

- Prevalence and death rates associated with malaria
- Proportion of population in malaria-risk areas using effective malaria prevention and treatment measures
- Prevalence and death rates associated with tuberculosis
- Proportion of TB cases detected and cured under DOTS

**Goal 7: Ensure environmental sustainability**

Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources

*Indicators:*

- Change in land area covered by forest
- Land area protected to maintain biological diversity
- GDP per unit of energy use
- Carbon dioxide emissions (per capita)

Halve, by 2015, the proportion of people without sustainable access to safe drinking

water

*Indicators:*

- Proportion of population with sustainable access to an improved water source

Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.

*Indicators:*

- Proportion of population with access to improved sanitation
- Proportion of population with access to secure tenure [Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers]

**Goal 8: Develop a global partnership for development**

Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction—both nationally and internationally)

*The Millennium Development goals are a comprehensive framework from the United Nations and World Bank. Further information can be found at [www.developmentgoals.org](http://www.developmentgoals.org).*

## APPENDIX B

### BROAD-BASED SUSTAINABLE DEVELOPMENT FRAMEWORK

The broad based sustainable development goals are derived from:

Weaver, James H., Michael T. Rock, and Kenneth Kusterer. Achieving Broad-Based Sustainable Development: Governance, Environment, and Growth with Equity. West Hartford, Conn.: Kumarian Press, 1997.

#### Broad Based Sustainable Development

1. Political system that provides for human rights and freedoms, and effective governance.
  - Right to life (ie. no arbitrary deprivation of life).
  - Right to due process.
  - Right to assembly, speech, organization, religious practices.
  - Right to work and to travel.
  - Right to social security.
  - Right to education.
  - Right to health.
  - Right to food and shelter.
  - Effective governance: technical and managerial competence in public administration.
  - Accountability of public officials for their actions.
  - Predictability and the rule of law.
  - Adequate and accessible information systems.
2. Economy in which benefits are widely distributed – who gets the benefits of a healthy economy?
  - Life expectancy.
  - Mortality.
  - Literacy.
  - Income distribution.
3. Healthy, growing economy undergoing structural transformation.
  - Per capita income – and change in per capita income over time. Taking into account purchasing power parity, inflation.
  - Relatively full employment.
  - Relatively stable prices.
  - External equilibrium (debt).
  - Budget and taxes.
  - Structural transformation: increase in agricultural productivity [percent labor force in agriculture].
  - Structural transformation: shift from agriculture to industry and services [sectoral analysis of GDP].
  - Structural transformation: increase in worker education and productivity.
  - Structural transformation increased reliance on machines (rather than human labor).

- Structural transformation: diversified economy (not mono-culture/product).
  - Structural transformation: open economy (trade) [percent GDP exported].
  - Structural transformation: shift from reliance on primary goods to processed goods [percent exports of primary goods].
  - Structural transformation: increasing savings rate [percent GDP saved].
  - Structural transformation: increasing urbanization.
4. A political economy that is consistent with preservation of the environment “Meets needs of the present without compromising ability of future generations to meet their own needs.”
- Biodiversity.
  - Energy consumption.
  - Fresh water.
  - Urbanization and overpopulation.

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## **Conclusion**

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