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ON STRENGTHENING THE EUROPEAN NEIGHBOURHOOD POLICY

ENP Progress Report

MOROCCO

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Background and overall evaluation

The EU-Morocco Action Plan was adopted on 27 July 2005 for a period of five years. Over the past two years relations between the EU and Morocco have been significantly strengthened across the board, mainly because Morocco has shown real interest in the European Neighbourhood Policy (ENP), in which it sees the way forward to the 'advanced status' it has always called for. For the Moroccan authorities, securing the country to Europe is a strategic choice and the Action Plan constitutes an anchorage point for the reforms. ENP instruments have increased the amount of EU aid available to tackle Morocco's specific circumstances and problems.

The King has launched numerous initiatives aimed at the modernisation of the state, democratisation and national reconciliation – in particular via the Fairness and Reconciliation Commission, the law on political parties, the law on the liberalisation of the audiovisual sector, the law against torture - and the promotion of economic and social development, in particular the national human development initiative, the status of women, and the fight against poverty. These initiatives are already reflected as tangible commitments in the Action Plan and place Morocco firmly on the path to reform. Many of these political reforms and the reforms aimed at improving the transparency of the economic environment are positive steps towards better governance in Morocco.

In bilateral political relations, the enhanced political dialogue has become a forum for increasingly open political debate. Cooperation in the area of migration has also grown steadily closer. The culmination of cooperation in this area would be the speedy finalisation of the negotiations on a readmission agreement based on a balanced and integrated approach. In 2006 Morocco dismantled a significant terrorist cell on its territory.

In the economic field, real progress has been made in achieving many of the objectives of the Action Plan. Morocco has clearly shown its readiness to bring about in-depth reforms in order to create an impetus for development and poverty alleviation, improve competitiveness and attract foreign investment. Morocco has also finalised a number of cooperation agreements with the EU, in particular on the Galileo satellite navigation system and in the area of air services. Negotiations aimed at liberalising trade in services and the right of establishment, and liberalising agricultural products, processed products and fisheries were also launched this year. However, more efforts are needed in the areas of agricultural reform, facilitation of external trade, trade law, corporate governance, economic diversification and youth unemployment.

The various technical subcommittees set up with Morocco under the Association Agreement met regularly and effectively. They created a productive sectoral framework for dialogue, helping to ensure consistency between the challenges of sectoral policy and cooperation. They enabled headway to be made in a balanced manner in all the fields of the Action Plan, although with varying degrees of ambition, and helped strengthen mutual trust.

In short, Morocco implemented numerous reforms in all the main chapters of the Action Plan; the Government is pushing ahead with its political, economic and social modernisation effort which should enable it to meet its objectives, together with the European Union, in the Action Plan.

Political dialogue and reforms

Democracy and the rule of law: a new legislative framework on political parties was adopted in 2005, which has led to improvements, in particular the rules on the creation of political parties and the system of public funding. The draft electoral code which will govern the elections of 2007 is in the process of being adopted; it maintains the system of proportional representation and the system of the national list for women, which guarantees that a number of women are elected to Parliament (30 in the 2002 elections). Decentralisation efforts continue with the new National Planning Charter of 2005. The anti-corruption law was adopted but Morocco has not yet ratified the United Nations Convention against Corruption.

Justice: the simplification of judicial procedures continues. There has been progress in the area of judgement enforcement. The European Community (EC) already supports the modernisation of the justice system with a project which provides, amongst other things, for the computerisation of 40 jurisdictions. A draft law is underway to ensure that judgements against public administrations are enforced. Two administrative courts of appeal have been set up. Under the next financial programming exercise, the EC will provide support for the prison administration modernisation programme. But the judicial system's human and financial resources are still often inadequate to cope with the demands of a modern justice system and to improve the existing situation, in particular prison overcrowding and staff training.

Human rights and fundamental freedoms: the first meeting of the human rights, democratisation and governance sub-committee was held on 16 November 2006. Some reservations against international conventions have been lifted, in particular the conventions on racial discrimination, children's rights and torture. In 2005 Morocco announced that it intended to become a party to the first optional protocol to the international pact on civil and political rights. There are ongoing discussions in Morocco on adhering to the pact's second optional protocol on the death penalty. The Human Rights Consultative Committee (CCDH) has been made responsible for following up the recommendations of the final report of the Fairness and Reconciliation Authority (IER). EU support for the development of a national action plan on human rights is in the process of being approved. A new law on torture was adopted in 2005. It contains a definition of torture which is in line with international agreements, criminalises torture and provides for lengthy prison sentences. In 2005, the Royal Institute for the Amazigh Culture, set up to promote the Berber language and culture in all areas of political, social and cultural life, launched actions to encourage the teaching of the Amazigh language.

A new amendment to the Press Code, which would abolish prison sentences for journalists, was announced in 2005 but has not yet been finalised. There has been

progress on the liberalisation of the **audiovisual sector**. The changes made to the legislative framework in the area of freedom of **association and assembly** have led to the emergence of a more active and dynamic civil society. However, the work of some non-governmental organisations (NGOs), in particular those involved in the defence of human rights in the Western Sahara, is hampered by the difficulties encountered when the NGOs attempt to register officially. There are also cases where the police use disproportionate force to disperse demonstrations or to bring people in for questioning.

Morocco continues its dialogue with the EU on **fundamental social rights and core labour standards** on the basis of the International Labour Organisation (ILO) Declaration of 1998. In this area, the country's performance is very uneven, in particular as regards the prevalence of child labour in certain sectors (such as domestic services and the craft industry).

Regional and international issues, cooperation on foreign policy and security, conflict prevention and crisis management. Two meetings of the enhanced political dialogue at Troika level were held with Morocco in June 2004 and November 2005. A third meeting is scheduled for December 2006. Morocco is actively involved in the discussions on the external security and defence policy (ESDP). It was the first country to designate a contact point with the Council and it is in favour of intensifying the dialogue with the Political and Security Committee (PSC). It takes part in the ALTHEA military operation of the EU in Bosnia-Herzegovina. Morocco has continued to cooperate closely with the EU in the fight against terrorism; an important terrorist cell was dismantled in 2006. As regards **regional cooperation and initiatives**, cooperation within the Arab Maghreb Union (AMU), of which Morocco is a member, has not made any significant headway. But the country is very active in the 5+5 process and in the Mediterranean Forum.

Economic and social reform, development

Macroeconomic framework

In 2005 lower agricultural production, higher prices for oil products and the abolition of textile quotas contributed to a sharp **drop in economic growth**, which reached only 1.7%. In the first half of 2006 growth bounced back dramatically and for the year as a whole it should reach 7%. Satisfactory rainfall and the good economic performance of Morocco's neighbouring countries are two of the main reasons for this rebound. Non-agricultural production is expected to increase by 4.9% in 2006, slightly less than in 2005 (5.2%).

Budgetary and tax policy

The Government is implementing a medium-term strategy for **budget consolidation** aimed at bringing the gross domestic product (GDP) deficit down to 3%. In 2005 the deficit was 4.4% of GDP (6.3% without the income from privatisation). This was due to a fall in growth, higher subsidies for oil products and extraordinary expenditure under the programme for the early retirement of civil servants. For 2006 the deficit should be in the

region of 3% of GDP, owing in particular to higher than expected tax revenue. Significant tax reforms are expected in 2007 and 2008, particularly in the area of VAT and income tax. The authorities also want to reduce tax expenditure. Despite undeniable progress, the current budgetary situation is not without risk in the medium term due to the country's high level of public debt (over 70% of GDP).

With financial support from the European Commission, the Government is also implementing a reform to enhance the efficiency of public administration. In 2005 one of the practical forms taken by this reform was the early retirement of around 38 000 civil servants. This should lead to a substantial fall in the wage burden on the budget, which until now, with 13% of GDP, was one of the highest of similar revenue countries and considerably hampered budgetary room for manoeuvre. The authorities must continue their efforts to enhance the efficiency of state services and the quality of public policies.

With the support in particular of the European Commission and the World Bank, the Government has undertaken an important reform of the system of **public finance management** and of the budgetary process, involving in particular the setting-up of a medium-term expenditure framework by 2007, public transactions, a follow-up of budget implementation and the monitoring of public companies. These measures should contribute to improving managers' accountability and governance in the public sector.

External accounts

Privatisation continues, with high annual receipts of between 2.3% et 2.9% of GDP since 2003. It is these privatisation operations which are behind the strong direct **foreign investment** inflows recorded for several years now (around 4% of GDP in 2005). Morocco has enjoyed **current account** surpluses since 2001, due mainly to the high and increasing level of tourism revenue and the remittances of Moroccan workers abroad. These surpluses largely compensate for the trade balance deficit. In recent years, textile exports have been adversely affected by the end of the multifibre arrangement in 2004, but not as badly as anticipated. In the first half of 2006 exports and imports rose by approximately 13%. Because of sustained significant foreign investment inflows, foreign reserves continued to grow and represent nearly ten months of imports. The external debt continued to fall. In 2005 it accounted for 35% of GDP, against 65% in 1999.

Monetary developments

Despite the rise in the price of oil products, **consumer prices** only increased by 1% in 2005. In a context of marked economic slowdown, the fixed exchange rate and a prudent monetary policy were additional factors of price moderation. The authorities have taken certain steps to improve the **monetary policy** framework. The new statute of the Central Bank entered into force in 2005; it lays down price stability as the main objective of monetary policy and gives the Central Bank more independence. The Central Bank has also taken measures to make monetary policy more transparent. The authorities have announced their intention to gradually adopt a more flexible exchange rate regime.

Agricultural developments

The aim of Morocco's **agricultural** development policy is to protect its agriculture against climatic hazards and strengthen the competitiveness of its farms. To this end the Government has launched a policy to convert of agricultural production and introduce more competitive crops, including organic crops. A law on quality labels, which should contribute to the emergence of protected designations of origin (PDOs) and protected geographical indications (PGIs), was adopted at the end of February 2006. A call for tenders was launched for the privatisation of the management of 56 000 hectares belonging to two public companies. However, significant progress is still needed, in particular to improve marketing channels and implement land reform, because agricultural development is held back by a number of obstacles, such as a shortage of arable land and the fragmentation of farms.

Employment, social policy, sustainable development

In line with a trend which began at the beginning of the decade, per capital gross national income continued to rise (from USD 1 310 in 2003 to USD 1 750 in 2005). In order to maintain a high growth rate, which is the only way to reduce poverty, cope with the influx of new entrants to the labour market and reduce unemployment, structural reforms that will boost productivity growth must be continued. **Poverty** (15% in 2004) remains widespread and indicators such as the infant mortality rate or the literacy rate still lag behind those in other similar revenue countries (infant mortality is 20% higher and literacy is over 80% lower). However, in recent years, Morocco has made significant progress as regards certain social indicators, especially in the education sector. The Government has launched a number of initiatives, including the national human development initiative in 2005. Unemployment, which mostly affects urban areas, has declined steadily and the official unemployment rate fell below 10% in the first half of 2006, mainly owing to significant job creation in agriculture and the construction industry. However, youth unemployment (31%) remains very high. Despite substantial investment in the area of vocational training, in many instances with the support of the EC, a great deal remains to be done to increase school enrolment and develop the kind of teaching which is needed to support the country's development and its economic growth sectors.

To stamp out child labour, Morocco has put in place a fairly comprehensive legislative and regulatory framework. In May 2006 the Government announced that it was preparing a draft law banning child domestic labour, thereby strengthening the National Plan for Children adopted in March 2006 for a period of ten years. However, it is sometimes difficult to apply this legislation in practice given the profound social and material destitution of some sections of the population. Morocco still lacks a specific mechanism for promoting women in the workplace, even though the principle of **equal treatment of men and women** is recognised in a number of laws. The Government has set up a commission to lift the country's reservations against the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW). The **social dialogue** has taken deep root. The setting-up of the new compulsory sickness insurance is making good progress. The application of the **Labour Code**, adopted in 2004, is still resisted in many sectors and further efforts are needed in the area of the right to strike. As regards

employment, cooperation with the EU takes the form, *inter alia*, of a job creation support project.

The national human development initiative (NHDI) is a key instrument for **reducing social disparities and combating poverty**. The NHDI has a budget of around €1 billion spread over five years and is aimed at reducing socio-economic disparities between the country's poor areas and its more advanced areas. Over 400 rural districts and 260 poor urban and suburban districts have been identified. The NHDI is increasingly focused on the implementation of targeted rural and urban projects. EC support for the NHDI is planned under the next financial programming exercise. The local human development initiatives (LHDI) are becoming the main vectors of the programme at local level. Numerous projects and operations in favour of disadvantaged groups are being undertaken with the support of the EU.

Morocco is in the process of reviewing its national strategy for environmental protection and **sustainable development**, which dates back to 1995. This review should take into account the most recent data and developments and should better integrate the social and economic dimensions. The launch of the strategy review process has been postponed until the autumn of 2006 so as to coincide with the meeting of the National Environment Council, which has not been operational since 2002. It is important to set this preparatory work in motion rapidly in order to cope with the new challenges and problems which have emerged since the previous strategy was drafted.

Issues relating to trade, markets and regulatory reform

Morocco has made significant progress in improving the **business climate and investment conditions**, for instance reducing the minimum capital needed to set up a limited company, facilitating the transfer of property and improving the transparency of tax regulations. However, it is important to make sure the reforms are implemented effectively, in particular in the field of administrative simplification, performance of contracts and labour legislation. There has been little headway regarding the implementation of measures in the area of **company law**, in particular on the creation of a framework for corporate governance and the modernisation of audit and accounting rules.

On the whole, the dismantling of tariffs provided for under the Association Agreement is being applied in line with commitments. However, the tariffs on used products have not yet been dismantled and there are still restrictions on the export of raw and semi-finished bovine hides. At this stage, Morocco does not yet apply the combined nomenclature. The negotiations on the liberalisation of agricultural products, processed agricultural products and fisheries began in February 2006. The first discussions on the plan to set up a **dispute settlement mechanism** in the area of trade, which were launched in 2006, were marked by a degree of caution on the part of the Moroccan authorities concerning the EU's proposals. A free trade agreement with Turkey entered into force in January 2006 and the Agadir Agreement, creating a free trade area between four Mediterranean countries, entered into force in July 2006.

The protocol on pan Euro-Mediterranean origin cumulation is currently in force with the EU, Turkey and the EFTA countries. The notification formalities for the application of origin cumulation under the Agadir Agreement are to be completed. Modernisation of the **customs** and indirect taxes administration is continuing, in particular with introduction of the customs procedures which comply with international standards and practices and implementation of activities geared towards coordinating external trade instruments and actors. It should also be noted that a "security" audit of the BADR system (computerised database of networked customs) was carried out recently. As regards security, Morocco was one of the first countries to become a party, in 2005, to the World Customs Organisation (WCO) framework of standards. Initial work has been carried out in this area and should continue. A law authorising customs to deal with counterfeit goods was adopted in 2006.

In the area of **free movement of goods and technical regulations**, Morocco has confirmed its commitment to negotiate an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) and has selected the priority sectors which should be covered by this Agreement. A work programme to conclude the ACAA has been drawn up. A draft law setting out in detail the standardisation, certification and accreditation areas is to be adopted in 2007. A Moroccan accreditation committee (COMAC), which would provide voluntary accreditation in all sectors, and an independent Moroccan standards institute (IMANOR) are to be set up. The draft law on product safety and consumer protection, which imposes systematic checking by customs before products are placed on the market, is to be adopted in the autumn of 2006.

Health and plant health: Morocco has taken steps to set up an identification and traceability system within the context of a five-year programme. It has prepared guides to best practices and continues to work to eradicate epizootic diseases such as bluetongue and rabies. Morocco continues to cooperate with the EU in the area of the EU rapid alert system, in which it has asked to participate. A twinning project of over €2 million was launched in this sector in 2006.

Morocco began negotiations in March 2006 on a free trade agreement with the EC and its Member States on **services and the right of establishment**. Regarding financial services, Morocco has started the process of upgrading its regulatory framework and supervisory capabilities. The new law on the statute of the Central Bank, adopted in 2005, will align it with the Basle Principles of effective banking supervision, and in particular strengthen the Central Bank's independence and its supervisory role. A new banking law which sets up a joint supervisory committee and strengthens depositor protection entered into force in 2006. Administrative, legal and technical capacity-building with a view to implementing all the legislation remains an issue.

As regards the **movement of capital**, current account transactions have been liberalised (Article VIII IMF). A technical dialogue has been set up between the Commission and the authorities. The advances made in macroeconomic stabilisation and financial sector reform are significant steps towards a gradual liberalisation of the capital account.

Movement of persons: Morocco has not yet ratified the ILO conventions on equal treatment in employment and has not yet prepared specific legislation in the area.

With the support of the International Monetary Fund and the European Commission, the Government is currently preparing a medium-term reform programme of the **tax** system which will address the different taxation systems, including VAT simplification and the widening of its scope. A report should be finalised this year with a view to submitting a new draft tax law to Parliament. A more comprehensive tax reform comprising a substantial elimination of tax exemptions and a reform of income tax are expected by 2008. Initial measures on cooperative taxation have already been taken under the 2005 budget. Discussions on a code of conduct for corporate taxation have yet to be launched.

Competition: the draft decree aimed at setting up a competition directorate has not yet been adopted. An action plan is being prepared to strengthen the role and capacity of the Competition Council and the other competition authorities. No real progress has been made on transparency in the field of state aid.

A draft law on **consumer protection**, which draws extensively on Community directives in the field, should be adopted in the autumn of 2006. A twinning initiative financed by the EC and aimed at supporting this reform process at both legal and institutional level is at the selection stage.

Progress has been made in the area of **intellectual and industrial property**. A new law on trademarks, adopted in 2006, introduced the concept of geographical indications and a system of trademark opposition, and confers new powers on the customs authorities to seize pirated or counterfeit goods at the borders. A new law on copyright and related rights was adopted in 2006. Less headway has been made on accession to international conventions, administrative capacity-building and strengthening resources used for applying the regulations and seizing pirated or counterfeit goods, which are very widespread in certain sectors.

A reform of **public procurement** rules is still under discussion. Except for the introduction of framework legislation on public concession, there was no significant progress in the area of public procurement.

In the area of **statistics**, no significant progress was made on the implementation of the Action Plan. In 2005 Morocco adhered to the IMF Special Data Dissemination Standard, which improves the transparency statistical data.

Morocco has started to modernise its system of **public finance** management, with the EU's technical and financial support. The measures taken encourage managers to take more responsibilities, reduce ex-ante financial control and promote performance audits. The institutional capacity of the Inspectorate-General of Finances will be developed, with support from the EU. The twinning project for the Interior Ministry's Inspectorate-General of Local Administrations has been launched. However, the country seems to be hesitant about adopting the model advocated by the EU on functionally independent internal auditing.

Enterprise policy: Morocco has attached great importance to the Euro-Mediterranean Enterprise Charter owing to the dynamic role of the agency responsible for promoting SMEs (ANPME), which has launched a major information and awareness-raising campaign directed at the public and private sectors. The country has set up a number of portals enabling users to discharge administrative formalities electronically. Although Morocco still faces a lot of challenges to make its businesses more competitive, it is in a good position to exploit the potential of the Charter process to the full.

Cooperation in the area of justice, freedom and security

Migration: the negotiations between Morocco and the UNHCR Office on the form which the latter's presence should take, and its mandate, have been ongoing since the end of 2005. There is still no overall legislative and regulatory framework on refugees. The EU has provided significant support for initiatives taken by Morocco to cope with illegal immigration, which impacts heavily on the country since Morocco is a country of transit. The EU supported the conference in Rabat (July 2006) on migration and development, which brought together countries of origin, transit and destination with a view to setting up co-responsible and coordinated migration management. The first 'Justice, Freedom and Security' twinning initiative in the MEDA region was launched and involves training activities aimed at border control forces. Following a request from the Moroccan authorities, the MEDA project for the **management of border controls** was largely redirected in order to provide financial support for a new emergency programme aimed at upgrading the migration strategy as a whole, with a budget of approximately €67 million.

The last negotiating session on the **readmission agreement** was held in May 2006. Another session should take place before the end of 2006 to sort out the last technical points. An initial exchange of views on the facilitation, simplification and speeding up of the procedure for granting **visas** was held in February 2006.

Cooperation in the fight against organised crime: Morocco ratified the United Nations Convention against Transnational Organized Crime in 2002. The issue of accession to the additional protocols on migration, weapons and human trafficking is still under discussion.

A new strategy to combat **drugs**, which was announced as imminent at the justice and security subcommittee meeting in May 2006, has not yet been produced. At the meeting, cooperation with Europol in this area was brought up. The draft law against **money laundering** has still not been adopted. A twinning scheme for the Finance Ministry has been launched to help with legislative, regulatory and institutional upgrading (in particular the creation of a financial information unit); it is understood, however, that the twinning contract procedure will only go ahead if the law is adopted.

Morocco has signed bilateral agreements on **judicial and police cooperation** with several Member States. There is a negotiating mandate for an agreement between Morocco and Europol, and Morocco seems prepared to take the necessary steps to activate it. It has signed agreements with some Member States in the area of family law. It has also shown its willingness to develop cooperation with the EU in this field.

Transport, energy, information society, the environment, science and technology, research and development

The overall reform of the **transport** sector has been very successful. Since 1999, key measures have been taken to liberalise road transport and increase its competitiveness, modernise the vehicle fleet and improve road safety. In 2005 the Commercial Code was amended with a view to establishing a legislative framework for the operation of a transport committee. A new draft highway code has also been prepared. The legislative framework for rail transport was reviewed in 2003 to separate infrastructure management from service provision and to open up the market to new operators. Investment to upgrade and extend the network focuses on developing high speed lines and connecting the ports with their hinterlands. The authorities are also getting to grips with intermodal transport. Morocco and the EU have initialled an aviation agreement which will lead to the gradual opening of the market and includes a commitment by Morocco to bring its legislation into line with the key elements of the Community *acquis*. In the maritime transport sector, the ports reform is showing good progress. A National Ports Agency was set up in December 2005, and business activities have been separated from regulatory activities. Maritime safety and security are improving. The EU has reached an agreement with Morocco to enable it to take part in the Galileo programme, which is a joint initiative by the European Commission and the European Space Agency to give Europe its own independent civil satellite positioning system.

Morocco is important for the EU's **energy security** because Algerian gas transits through Morocco on its way to the Iberian Peninsula and Morocco exports electricity to Spain. Under the gas development plan, Morocco promotes the use of gas in electricity generation. There are plans to build a liquefied natural gas (LNG) terminal and to connect Mohammedia (including the refinery) and Casablanca to the gas network. The modernised Hydrocarbons Code has stimulated exploration activities. Morocco has continued to prepare for a gradual opening of the electricity sector but much remains to be done, including in the area of the development of the Maghreb electricity market. In 2005 the energy administration was reorganised in order to prepare it for its new functions in a more competitive environment. Due to very high world prices for energy products, Morocco has increased the level of its energy subsidies, which weighs heavily on public finances and makes moving towards a more open market more difficult. Morocco has made progress in the implementation of its rural electrification programme. It is strengthening its electricity connections with Spain and Algeria. It reaffirmed its determination to take greater advantage of its renewable energy potential and to improve energy efficiency. Investment in these areas (wind, solar and hydroelectric energy) has increased. Morocco aims to increase the share of renewable energy sources in energy consumption from 4% to 10% by 2012.

The main **environmental problems** are water quality, waste management, coastal pollution, nature conservation and desertification. Morocco has made significant progress on climate change, mainly because the necessary structures have been put in place, the procedures for the Clean Development Mechanism (CDM) have been adopted and many CDM projects have been prepared. A framework legislation and sectoral legislation are in

place in most areas, but implementing legislation needs to be drafted, in particular for environmental impact studies. The most recent legislation concerns ground and surface water pollution and solid waste management. New laws on coastal and nature protection and on industrial licences are planned. The authorities have started to implement the national plan for combating desertification. Programmes on integrated water management and the monitoring of ground and surface water have been prepared. National strategies for waste management, industrial pollution and nature conservation are under preparation. Environmental concerns are gradually being integrated into other sectors. Morocco publishes regular reports on the state of the environment and has taken measures to increase public awareness on environmental issues. Morocco is considering setting up a national environment fund.

A project is ongoing to strengthen the Ministry of National Planning, Water and the Environment. Administrative capacity building at regional and local level remains a challenge. Morocco has ratified the relevant international conventions and protocols except for two protocols to the Barcelona Convention. It takes part in the Council of Arab Environment Ministers, the Conference of African Environment Ministers, the Maghreb Environmental Protection Committee and the Mediterranean Action Plan. Morocco benefits from the activities undertaken under the EU's water initiative. Morocco and the European Commission have based their cooperation on increased environmental awareness and on public participation, convergence with the *acquis*, air quality, water management, and solid waste and sludge management. Other issues of common interest, in particular in the context of the regional activities of the European Environment Agency, have been identified as areas for enhanced cooperation.

Information society: Morocco launched an 'e-Morocco' strategy in 2005 and set up a large number of projects to promote the use of information society applications. Since 2005 the regulatory authority (ANRT) is also responsible for enforcing competition in electronic communications. Market liberalisation has continued: there are three operators on the fixed telephony market and three licences for third generation mobile communications were allocated in October 2006.

Changes in the **audiovisual** sector have been swift: within two years, the public monopoly disappeared and 11 licences (one for television and ten for radio) were granted to private operators.

In the area of **research and innovation**, Morocco has developed a strategic vision for research for 2025 (implemented under a national action plan) aimed at restructuring the national research system, developing scientific infrastructure and creating skill centres and academic centres of excellence. The transfer of knowledge between public research organisations and industry and the development of links between research and innovation are important elements of this strategy. Morocco's participation in the EC's framework programmes is significant.

People-to-people contacts

Morocco is implementing a National Charter for **Education and Training** which sets strategic objectives for a ten-year period (2000-2009). A number of reforms have been launched under this Charter but important challenges remain. In 2004 sectoral strategies for the development of the education system, literacy and non-formal education were adopted. The aim of these reforms was to ensure access for all, improve the quality and relevance of teaching, especially in vocational education and training, restructure governance mechanisms and strengthen institutional capacity. Support for education reform is one of the priorities of EC cooperation for the period 2007-2010.

In the area of higher education, which is undergoing restructuring modelled on developments in Europe, the **Tempus** programme has intensified cooperation between universities in Morocco and the EU and has had a positive impact on university reform in Morocco and on the upgrading and modernisation of the teaching provided. Moroccan students and academics are eligible for the Erasmus Mundus programme. There is a Jean Monnet project in Morocco. The **Euromed Youth** programme supports exchange projects involving young people and Moroccan organisations.

The country actively participates in Euromed cultural activities, in particular Euromed Heritage (for instance projects to create a virtual museum on Islamic art in the Mediterranean and to rehabilitate traditional architecture). The Moroccan Parliament is preparing to ratify the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

Public health reform has been given new impetus by the setting-up of the NHDI, but it remains an urgent priority, in particular to combat poverty. Priorities set by the Government include providing better access to care, especially for the poor sections of the population, enhancing quality, reorganising and decentralising the system and strengthening administrative and financial capacities. Support for public health reform is envisaged under the next financial programming of the EC.

Financial support

Morocco is one of the main beneficiaries of EU financial support, in terms of both grants from the Commission and its Member States and loans from the European Investment Bank. Because of the country's improved absorption capacity, largely thanks to the greater ambition of the reforms and more ownership of programmes and projects, payments made under the MEDA programme reached a very high level (€17 million) in 2005. The EC has supported major reforms in the areas of transport, water management, slum clearance, public administration management and financial-sector management. Another increase in payments is anticipated for 2006. Morocco is a pioneer in the use of the twinning instrument. Some projects are already operational, in particular in the areas of migration, maritime safety and the environment. Other operations have been launched, in particular in the areas of consumer protection, competition and veterinary and plant health control. All these operations tangibly support the priorities of the Action Plan.

Coherence between financial cooperation instruments and the priorities of the Action Plan was enhanced in the preparations for the 2007-2013 cooperation strategy and the

programming for the period 2007-2010. The priorities for the Commission's financial cooperation are support for social development (education and health), economic modernisation, institutional support, good governance and human rights, and the environment.