



EUROPEAN NEIGHBOURHOOD AND PARTNERSHIP INSTRUMENT

MOROCCO

2007-2010 NATIONAL INDICATIVE PROGRAMME

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1. EU-MOROCCO: COUNTRY STRATEGY PAPER

The overall objectives of EU-Morocco cooperation are laid down in the Association Agreement signed by the EU and the Kingdom of Morocco in 1996, and in the Action Plan adopted under the European Neighbourhood Policy (ENP).

The specific objectives of EU-Morocco cooperation in the period 2007-2010 are set out in the country strategy paper (CSP). The 2007-2010 National Indicative Programme (NIP) also takes account of the priorities of Moroccan domestic policy. The priorities to be financed by the EU therefore have to slot into those planned and decided by the Moroccan Government.

This NIP proposes operations for financing from Morocco's allocation under the European Neighbourhood and Partnership Instrument. The purpose of the NIP is to guide the identification and design of programmes by setting out the overall objectives and expected results of operations.

This NIP will undergo a mid-term review in 2008, which could lead to the introduction of new programmes and the reallocation of budgets within the NIP in the light of experience and local developments, developments in the ENP/NAP and the new free-trade area. Account will also be taken of any need to beef up environmental institutions. Interest subsidies may increase investment by international financial institutions in the environmental, energy and transport sectors, as explained in the country strategy paper. Interest-rate subsidies for investment in the environment sector will be strongly encouraged with the aim of achieving levels similar to those in the past.

2. INDICATIVE BUDGET

There is €54 million to cover the four years of the 2007-2010 NIP.

Designed to meet the high expectations of financial cooperation between Morocco and EU, the NIP described here is ambitious in terms of both the number of sectors supported and the size of the sectors. These programmes must be prepared with great care to ensure that they are implemented properly.

A number of instruments may be used to implement these programmes. In particular, this NIP involves recourse to sectoral adjustment facilities. The use of this instrument, which consists of direct budgetary aid, is conditional on tight control of public finances. Interest subsidies may also be used, since they can lever investment by international financial institutions in the environmental, energy and transport sectors, as explained in the country strategy paper.

The 2007-2010 NIP proposes continuing support for reform, modernisation and economic diversification. Other programming conclusions include taking account of the social impact of economic reforms on vulnerable groups, modernising agriculture, consolidating

governance and human rights and promoting women's rights. The support programme for action plans (PAPA) could be used to finance measures to get implementation of the European Neighbourhood Policy action plans under way, and in particular to support new institutional twinning projects.

The new EU policy guidelines, such as the European Neighbourhood Policy, the Commission communication on the promotion of human rights, the 2001 Doha Agenda and the commitments made at Johannesburg in 2002, plus the social dimension of economic reforms and their effect on vulnerable people, have been taken into account.

The 2007-2010 NIP will focus on the priorities set out below. All these priorities for assistance meet the objectives of the ENP and are set out in the EU-Morocco Neighbourhood Action Plan.

3. DESCRIPTION OF THE PROGRAMMES

3.1. SOCIAL PRIORITY

3.1.1. Support for the National Human Development Initiative (NHDI)

(a) Background and rationale

Despite major efforts in development and social action, Morocco still suffers from worrying social deficits, as shown below:

Education: The illiteracy rate among the population over ten is 40%, i.e. approximately 10 million people, and can rise to as much as 60.5% in rural areas (75 % for women in rural areas). Almost 1.5 million children of compulsory school age (6-15) are not educated, a figure that rises if girls alone are taken into account.

Health: Infant mortality is 40‰, while maternal mortality stands at 227/100 000 live births, some of the highest rates in the region.

Insecurity and social exclusion: According to the poverty map drawn up by the High Commission for the Plan, 600 rural districts (communes) have a poverty rate of over 22%. In addition, 2% of the urban population live in precarious circumstances, 1.3 % of whom in extreme insecurity. It is currently estimated that there are 706 unofficial inhabited districts (405 000 households), 933 shanty towns (230 000 households) and 400 districts with inadequate services.

Unemployment: The national unemployment rate stood at 10.8% of the working population in 2004, but was 18.4% in towns and 30% among young people, graduates and non-graduates alike.

Disabled People: Disabled people account for 5.12% of the total population, i.e. 1.5 million people (national survey of disability carried out by the secretariat of state for the family, children and disabled people, 2005).

In line with the Millennium Development Goals (MDGs), the National Human Development Initiative (NHDI) launched by the king in May 2005, aims to tackle a number of challenges:

reduce poverty, insecurity and social exclusion;
establish a dynamic to promote human development;

recognise human dignity;
strengthen social cohesion.

The NHDI will be based on a geographical approach. The action programme will run over the next five years, starting in 2006, with a 2005 priority programme presently targeting 250 poor districts around the large towns of Morocco and more than 400 rural districts with the lowest social indicators. The government intends to establish synergies between all government departments, local authorities and civil society. It should be stressed that the initiative does not replace sectoral programmes or the economic and social development plans of the local authorities but makes them more consistent and convergent.

(b) Objectives

Strengthen the efforts of the government and local authorities to alleviate poverty, social exclusion, insecurity and to reduce social risk factors, so creating a dynamic propitious for human development and increasing the country's human capital and social cohesion.

(c) Expected results

Reduction of poverty in rural, urban and peri-urban areas

Strengthening of social cohesion

More intensive efforts to insert young people into jobs, the world of work and public activities (socio-cultural and sporting)

Stronger local governance enabled to tackle poverty reduction, social exclusion and insecurity

Vulnerable groups have easier access to social services (orphans, the disabled, women heads of household, etc.)

Greater promotion and protection of human rights, in particular by improving the social indicators of education and health

Particular attention should be devoted to the regions which, according to the recommendations of the IER report, are inadequately taken into account.

(d) Programme description

The Moroccan government has drawn up a strategy based on institutional liaison with the local authorities and other associated partners.

Four priority programmes were identified for 2006-2010:

- A - Poverty reduction programme in rural areas
- B - Programme to combat social exclusion in urban areas
- C - Programme to reduce insecurity
- D - Crosscutting programme

The budget proposed for the implementation of these priority programmes is MAD 10 billion over five years (2006-2010). The budget breakdown (revenue), contributions to which will be paid into a special account, is as follows:

General national budget:	MAD 6 billion
Local authorities:	MAD 2 billion
International cooperation:	MAD 2 billion

The proposed institutional machinery for implementing the NHDI is as follows:

At local level: human development committees, including elected representatives and representatives of local services and associations, will be set up. These committees will be responsible for:

drawing up the local human development initiative (LHDI);
implementing the projects and actions adopted at local level.

At provincial level: provincial human development committees, including elected representatives and representatives of decentralised services and associations, will be set up. These committees will be responsible for:

the validation of the LHDI; contract award;
the release of funds; supervision;
project supervision: to be contracted to decentralised services, public institutions, local authorities, associations, or private sector.

At regional level:

overall consistency of the LHDI;
consistency of the programmes with the National Initiative;
steering of the programme to combat insecurity.

At national level:

strategic interministerial human development committee, chaired by the prime minister, composed of the members of the government and public bodies;
management committee, chaired by the prime minister and made up of representatives of departments in the finance, social and rural development ministries.

The responsibilities at national level are: drawing up the budget framework, allocation of resources, general monitoring of human development indicators and general evaluation of the NHDI, institutional communications and promotion of international cooperation.

The NHDI offers additional financing capacity for four types of human development activity:

Income-generating activities

Support for access to basic social facilities and services

Support for social, cultural and sporting activities

Support for better governance and local capacity-building

It is the first time in its history that Morocco has developed a medium-term strategy on such a scale to tackle poverty reduction and social exclusion.

This government strategy requires international aid to contribute approximately €190 million over five years. The Community programme would mostly take the form of political and financial support, subject to certain conditions (mechanisms to control the funds made available, in-depth dialogue on poverty reduction, machinery for monitoring expected results, etc.) for the national initiative as a whole, which satisfies the EU's political priorities with regard to Morocco.

(g) Indicative budget/year of commitment

€60 million/2007

3.1.2. Programme of support to the national literacy and non-formal education strategy

(a) Background and rationale

Illiteracy, non-school attendance and early dropping out among children and young people is a fact of life for much of the Moroccan population. Despite efforts to tackle these problems, much remains to be done. Morocco has an illiteracy rate of 43% among the population aged over ten, i.e. approximately 10 million people, which can rise to as much as 60.5% in rural areas (46% for men and 74.5% for women). Almost 1.5 million children of compulsory school age (6-15) are not in school, either because they were never enrolled or because they dropped out before their compulsory schooling ended. These rates are among the highest of the Euro-Mediterranean partners.

The Moroccan government has made the campaign against illiteracy and non-formal education a national priority, and a government department for literacy and non-formal education was set up in November 2002. The importance Morocco attaches to literacy and non-formal education was reaffirmed in the new National Human Development Initiative.

Morocco has drawn up a medium-term literacy and non-formal education strategy. This sectoral strategy is consistent with a modern development policy. As part of its public-administration reform programme Morocco is currently drawing up a medium-term expenditure framework which quantifies the overall cost of implementing the educational reforms.

The literacy and non-formal education strategy adopted by the government in 2004 aims to:

- reduce the illiteracy rate to less than 20% in 2010;
- almost completely eradicate the problem by 2015;
- reduce the illiteracy rate of the active population to less than 10% by 2010;
- provide education for all.

(b) Objective

The objective of the EC programme is to support the implementation of the literacy and non-formal education strategy. It will also help to better integrate citizens into their social, economic, political and cultural environment.

(c) Expected results

Indicative:

- (c) NGOs working in the field of the literacy have a greater capacity and their work is professionalised**
- (d) The illiteracy rate of the target groups is reduced and their socio-economic integration is improved**
- (e) The government department responsible has a structured training set-up for improving the skills of those working in the literacy campaign (public and private operators and associations)**
- (f) The quality of literacy programmes is improved**
- (g) Primary education for the most vulnerable children is widely extended**
- (h) Children deprived of schooling and school drop-outs are given access to second-chance schools so that they can go on to formal schooling or vocational training**
- (i) Educational inequalities between girls and boys are reduced**
- (j) The school drop-out rate is down**
- (k) The most vulnerable children enjoy educational support**
- (l) The quality of educational support programmes is improved**
- (m) The management and evaluation of school support programmes are improved**
- (n) Those responsible for the design, supervision, coordination and management of literacy and non-formal education campaigns adopt approaches and methodological tools appropriate for their tasks**

In all these interventions a special effort will be made to promote women's literacy, girls' education and the participation of teachers and managers in training programmes.

(d) Indicators

Achievement of objectives and results may be evaluated using the following indicators:

- (o) Illiteracy rate (disaggregated by sex)**
- (p) Number of newly literate people having received support for income-generating projects**
- (q) Number of children (disaggregated by sex) having attended second-chance schools and moving on to formal schooling or vocational training**

(e) Brief description of the programme

On the basis of the literacy and non-formal education strategy, the Community programme will focus on supporting the government department responsible for literacy and non-formal education in three main areas:

Area 1: Literacy and post-literacy

To help improve and extend the literacy programmes, Community aid will be given to two complementary components: (a) support for upgrading and certification of NGOs working in the field of the literacy; (b) teacher training (public and private operators and associations).

Area 2: Non-formal education

Support for non-formal education programmes, educational support, and "second-chance schools" so as to give teaching support to children at the greatest risk of exclusion or dropping out of the education system.

Area 3: Institutional support for the department of state

Capacity building for the government department responsible and for the regional education and training academies (Académies Régionales de l'Éducation et de la Formation - AREF) and provincial delegations, involving improved institutional, technical and management capacity and capacity to develop partnerships, in particular with civil society and industry.

(f) Contracting authority

The department of state for literacy and non-formal education within the education ministry (MEEFR), in close cooperation with the AREFs, the provincial delegations and educational establishments.

(g) Beneficiaries

The beneficiaries of the programme are: the department of state for literacy and non-formal education; the AREFs and DPEs; non-governmental organisations, children who have not attended school or have dropped out, illiterate adults and their families.

(h) Specific conditions

Community aid is linked to a continuation of efforts to reform education and the government's willingness to continue multilateral coordination with aid donors. In view of what is required to implement the national strategy, Community aid will be additional.

(i) Budget/year of commitment

€17 million/2007

3.1.3. Support programme for education policy

(a) Background and rationale

Education is key to Morocco's economic and social development strategy. There is an indisputable link between poor access to and participation in schooling and social exclusion. Education is a fundamental right and an essential tool for development and protection of other human rights since it makes a significant contribution to health, safety, economic development and participation in social and political life. Furthermore, the new world order puts Morocco directly in competition with other countries with a similar per capita income but more developed and more polyvalent human capital. The Moroccan education system is thus at a watershed.

In 1995 Morocco was ranked at 117 in the world according to the Human Development Index (HDI) but had slipped to 125th of 177 in 2004. Its poor scores arise in particular from the weakness of per capita GDP, the low rates of adult literacy and poor school attendance at both primary and secondary levels, factors which hold back human development in Morocco.

Despite the efforts made by Morocco, the challenges are enormous:

- The enrolment rate for children between 6 and 11 is 93% (89% in rural areas).
- The enrolment rate for children between 12 and 14 is 70.6% (51.6% in rural areas).
- The enrolment rate for children between 15 to 17 is 44.3% overall.
- Morocco has an illiteracy rate of 43% among the population over ten, i.e. approximately 10 million people, which can rise to as much as 60.5% in rural areas (46% for men and 74.5% for women).
- Almost 1.5 million children of compulsory school age (6-15) are not at school. 80% of children who have not attended school or have dropped out are in rural areas (58.4% of them are girls).

The Moroccan government has placed education and training at the centre of the country's concerns by making education the top national priority for the decade 2000-2009. It has given the education system a strong fillip with the **National Education and Training Charter**, drawn up under the **strategic framework for the development of the education system**. The importance Morocco attaches to education was reaffirmed in the NHDI.

These sectoral strategies are consistent with a modern policy to develop human resources. As part of its public administration reform programme Morocco is currently drawing up a medium-term expenditure framework which quantifies the overall cost of implementing the educational reforms, and has already developed a simplified expenditure framework for the basic education subsector under the Community programme "Support for basic education, Phase II".

(b) Objective

The programme's objective is to support the implementation of the strategic framework for the development of the education system. It will help to improve the quality of human

resources in the whole country and so make it better prepared to face social and economic change. In the medium term the programme will improve Moroccans' quality of life and strengthen the protection of human rights and, by extension, strengthen social and political stability.

(c) Expected results

- Primary education becomes the general rule and secondary/vocational education is widespread. This will mean a significant reduction in the school failure and drop-out rate at all levels.
- Curricula are revised, in particular those of secondary and vocational schools.
- The staff of the education system are trained.
- Educational establishment projects are implemented.
- The use of information and communications technology has advanced.
- Institutional, technical and management capacity within the education system, in particular the AREFs, has been built up.
- Partnership with civil society has developed.

(d) Indicators

The achievement of objectives and results will be evaluated using the following indicators:

- Enrolment and school failure rates (disaggregated by sex) at primary, secondary and vocational schools.
- New curricula for secondary/vocational schools.
- Number of education staff trained.
- Percentage of schools having an establishment project.
- Percentage of schools having information and communications technology equipment.

(e) Brief description of the programme

On the basis of the strategic framework for the development of the education system and the literacy and non-formal education strategy, the Community programme will mainly support some of the most vulnerable AREFs in the three following areas:

Area 1: In the interests of generalising and expanding education Community aid will build on the work of the "Support for basic education" programme (Meda) for formal education (primary and secondary/vocational).

Area 2: Improvement of the quality of formal education through general support for the continuation of curriculum reform and aid for the AREFs chosen for staff training, the strengthening of educational establishment projects and promotion of the use of information and communications technology.

Area 3: Governance and the stepping-up of decentralisation and devolution by improving the institutional, technical and management capacity of the education system, in particular the AREFs, and partnership with civil society.

In all these areas a special effort will be made to encourage girls' education.

The financing arrangements will be decided during identification: sectoral budgetary support will be preferred if the conditions are satisfied.

(f) Contracting authority

The MEEFR department for literacy and non-formal education in close cooperation with the AREFs concerned.

(g) Beneficiaries

The beneficiaries of the programme are: the MEEFR department of literacy and non-formal education; the AREFs concerned and DPEs; education staff; the pupils, the families of pupils and civil society.

(h) Specific conditions

Community aid is linked to a continuation of efforts to reform education and the government's willingness to continue multilateral coordination with aid donors.

(i) Budget/year of commitment

€39million/2009 and €54 million/2010

3.1.4. Support for the consolidation of basic medical cover

(a) Background and rationale

For several years the Moroccan government has been engaged in major reforms of the health sector, of which there are three main components: decentralisation/devolution of health services through the setting-up of health regions; the upgrading of hospitals within the framework of hospital reform and, the reform of health financing and of basic medical cover (the obligatory sickness insurance scheme, AMO, and the healthcare assistance scheme, RAMED).

The component aimed at reform of health financing and sickness insurance, including the setting-up of a financing system based on the extension of obligatory sickness insurance (AMO) and the setting-up of a healthcare scheme to cover those on low incomes (RAMED) is ongoing. This reform of the system of financing and producing healthcare is designed to bring about universal medical cover, financed by contributions to AMO and to RAMED. Since 2001 the European Commission has been supporting the implementation of this important reform with a €50 million budgetary support

programme for medical cover reform, the objective of which is to support the formulation and implementation of the legal and regulatory framework for medical cover, plus the preliminary technical work needed to ensure that the system of healthcare production and the new financing arrangements are mutually consistent.

Law No 65-00 on the basic medical cover (CMB) was published in the official gazette on 21 November 2002. This law sets up a system of basic medical cover comprising (i) a compulsory health scheme (AMO) based on contributions and the pooling of risks and (ii) a healthcare assistance scheme (RAMED) based on the principle of national solidarity with the poorest sections of the population.

Following the publication of this law the Moroccan government embarked on the progressive implementation of basic medical cover. The implementing decrees for the AMO have been published and the AMO started up in September 2005. The start-up of RAMED is dependent on the completion of important preparatory work, which is currently under way and the quality of which will determine the future financial viability of the system. The implementation timetable for this reform component has therefore been extended. In view of the importance and the scale of the reforms, especially as regards RAMED, and the will shown by the Government to carry out it, it is proposed to consolidate and extend the aid given to accompany the reform timetable and add a tranche focused on the setting-up of RAMED.

(b) Objectives

The **overall objective** of the programme is to improve the health of the Moroccan population. The **specific objective** is to gradually extend universal health cover for a basic care package to make it the norm.

The programme covers aid for the formulation and implementation of the legal and regulatory framework for healthcare financing, plus measures for the efficiency of healthcare production.

(c) Expected results

The indicative **expected results** are:

- The consolidation of the compulsory health insurance scheme (AMO), which will give the public and private sectors access to a basic care package and gradually cover all solvent persons.
- The setting-up of the medical assistance scheme (RAMED), which will give free access to a basic public healthcare package.
- An equitable distribution of costs between the state, business and households, and the system's financial viability.
- Accessibility and quality of services, thanks to contractual arrangements based on specifications and service standards which boost coverage of the most underserved areas.

- Improvement of the governance of the sector through a redefinition of responsibilities, notably for the development of health policies, for financing and for management.

EC support will contribute to the achievement of the Moroccan government's objectives by supporting the medium-term measures designed to bring in universal medical cover and to ensure its viability. This EC support will be coordinated with other aid donors (Member States, the World Bank, ADB, etc.).

(e) Brief description of the programme

The support programme covers the promotion of decisive measures to adapt the health system to health objectives, the economic environment and users' needs thanks to the consolidation of insurance systems and assistance to provide universal medical cover. The programme also covers institutional and management measures designed to make sound use of public and private financing sources and flows, to attribute responsibilities between central services and the external services of the health ministry, and to bring about an effective and efficient healthcare production system.

The whole of the Moroccan population will benefit from the improvement in the quality of care and better access to it. The groups targeted specifically by the programme are:

- Poor households, which will have free access to the healthcare package guaranteed by the basic medical cover.
- Groups currently not covered by a scheme: they will enjoy gradual affiliation to basic medical cover through an economically appropriate contribution.

The approach is based on the principle of equal access to insurance for the risk of sickness, which aims to reduce the disparities between rural areas and urban areas. The gradual affiliation of the groups eligible for the AMO on the one hand, and the identification on the basis of specific criteria of people eligible for the RAMED on the other, will make for a better allocation of costs and limit abuses of access to free care.

(f) Contracting authority

The beneficiary of the programme will be the Ministry of Finance and Privatisation. The Commission's financial contribution will take form of non-targeted direct budgetary support. This contribution will be made in one tranche following evaluation of the degree of implementation and adherence to the agreed performance criteria.

(g) Specific conditions

By its nature this Community aid is linked to the continuation of reform efforts and the consolidation of all components of the reform.

(h) Budget/year of commitment

€40 million/2007

3.1.5. Sectoral support for health

(a) Background and rationale

Despite the progress achieved in the health sector, Morocco's key indicators still give cause for concern, in particular in terms of the mortality/morbidity of the most vulnerable groups. The infant mortality rate is 40/1000 births and the maternal mortality rate is 227/100 000 births. Morocco devotes about 5.5 % of its general budget to the health sector (2004). Nevertheless, more than two-thirds of all health expenditure is made by households, three-quarters of it directly in cash with no possibility of any reimbursement. This situation creates the risk of both impoverishment and exclusion from even basic care for part of the population.

In a context of economic and demographic transition Morocco is having to cope with an epidemiological transition. The health system is confronted with a double morbidity burden: (i) the burden of communicable diseases, especially those associated with poverty and (ii) the burden of non-communicable diseases more characteristic of industrialised countries.

An important series of reforms has been launched by the health ministry: decentralisation/devolution of health services by setting up health regions; the upgrading of hospitals in the framework of hospital reform; the reform of healthcare financing and of basic medical cover (AMO and RAMED).

The proposed programme continues support provided by the EC for the health sector. It will be based on the experience gained by the EC in supporting the health sector in Morocco, in particular the interventions ending in 2006 which successfully supported the launch of two of the reforms undertaken in the sector, namely the reform of basic medical cover and decentralisation. The programme will be implemented in a context of dialogue on the objectives and results of the sectoral policy, coordination of aid donors by the government of Morocco and the involvement of the other major donors in the sector.

(b) Objectives

The overall objective is to improve the performance of the Moroccan health system in terms of quantity and quality and of access to health services, in particular for the benefit of the most vulnerable groups. The specific objective is to accompany and support the continuation and universalisation of the reform (devolution), and so improve the overall quality of care.

(c) Expected results

The main expected result will be a quantitative and qualitative improvement in access to health care (basic and secondary and tertiary levels), in particular by the most vulnerable groups.

The expected results of this programme will be formalised in detail during the identification and preparation phases, but significant progress is expected in the following:

- devolution of health services;
- allocation of appropriate resources to disadvantaged areas and people
- human resource management (including training);
- strategic and operational planning and budgeting;
- healthcare provision (quantitative, qualitative and accessibility).

(d) Programme description

This programme is designed to promote and support the implementation of reform of the health sector, more specifically the important devolution of the system. Particular attention will be paid to the reduction of maternal, neo-natal and infant mortality (in the context of monitoring the MDGs). The programme is linked to the country's new vision/strategy of sustainable social development (NHDI).

The programme is based on the following main areas of intervention:

- Strengthening the planning and management capacity of the devolved bodies, support for the programming/budgeting process at central and devolved levels.
- Reform of the health cover system with a view to extending it and designing a strategy to bring about universal access to healthcare, in particular for poverty diseases.
- Create a financing framework for healthcare which moves towards social inclusion
- Improving and rationalising management of medicines.
- Implementing international agreements on public health, in particular the International Health Regulations and - once ratified - the WHO Framework Convention on Tobacco Control.

(g) Indicative budget/year of commitment

€50 million/2008 and €36 million/2010

3.2. GOVERNANCE/HUMAN RIGHTS PRIORITY

3.2.1. Support for the Ministry of Justice

(a) Background and rationale

Since 2000 Morocco has been engaged in an ambitious programme of reform and modernisation of the justice system. This reform of the justice system is a national priority for not only for the consolidation of the rule of law and a true democratisation of society but also for economic and social development. The reform involves a series of measures, including rationalisation of the management of the central administration and

the courts, evaluation of the training given to judges and court staff, better access to justice, integration of family courts into the legal system, more humane conditions in prisons, the reform of legislation and regulations and the simplification of the processing of judicial proceedings currently under way. These reforms have been supported by an EC programme.

The Morocco Action Plan for implementation of the Neighbourhood Policy contains a section on facilitating access to justice and one on rights in the chapter devoted to the political dialogue.

The proposed programme directly supports the achievement of aims set out in the Action Plan. This support will focus on the reform of the prison system and the training of judges/prosecutors, and at all times take into account gender-related issues and their implications in the Moroccan cultural context. This programme comprises two separate components.

Indicative budget/year of commitment
€20 million/2008

A. Modernisation of the prison system

(b) Objectives

The overall objective of the project is to improve the performance of the prison system and the conditions of detention, in particular through training, reintegration and the protection of prisoners' rights.

(c) Expected results

- Prison programmes in the areas of education, rehabilitation and reintegration of prisoners are improved.
- Parallel legal measures (alternative sentencing) to end overcrowding in prisons are implemented.
- Training programmes for prison administrative staff are improved.
- The conditions of detention are improved.

(d) Brief description of the programme

The programme will last four years.

Indicative activities:

- 1) Education, rehabilitation and reintegration of prisoners:
 - Equipping of centres for vocational training, training in crafts and agricultural training
 - Extension of training throughout the prison system
 - Setting-up of rehabilitation centres for minors and teacher-training centres

- Strengthening of educational and cultural capacity for young prisoners
- 2) Improving the conditions of detention:
- Setting-up blocks for the elderly, pregnant women and minors within prisons
 - Creation of detoxification units
 - Setting-up a model prison
- 3) Staff training and modernisation of prison administration:
- Equipping of the Ifrane training centre
 - Reform of training programmes for prison staff
 - Equipping prison administrations and prisons with computer hardware and software

(f) Beneficiary institution

Ministry of Justice

B. Training of court staff (dealing with minors and families)

(b) Objectives

The overall objective of this component of the programme is to improve the performance of the legal system by strengthening refresher and specialist training programmes for court staff with particular stress on minors and families. The programme will also provide support for the ministry's documentary resources.

(c) Expected results

- The training programmes for judges and administrators of the justice system are improved.
- The family court divisions set up after the reform of the family law (Moudawana) are consolidated.
- Justice for minors is improved.
- The central administration is endowed with better documentary resources.

(d) Brief description of the programme

The programme will last four years.

Indicative activities:

- 1) Training of judges and administrators:
- Implementation of the new training modules at the Institut Supérieur de la Magistrature (ISM) to ensure the effective implementation of the Moudawana by all the relevant courts
 - Training of judges and justice administrators in the Moudawana and international family law by the ISM
 - Training for trainee lawyers and legal professionals in the Moudawana and international family law

- Appointing judicial liaison officers with expertise in international family law
 - Creation of teaching areas devoted to practical work (computer rooms, language laboratories, lecture rooms, etc.)
- 2) Support for family court divisions:
- Organisation of seminars on the application of the Moudawana to (a) citizens and (b) Moroccan citizens residing in the Member States
 - Training sessions and specialisation for judges of family courts applying the Moudawana and international family law
 - Documentation and communication
- 3) The law and minors:
- Training for legal professionals (judges, lawyers, mediators) in the law and minors
 - Equipment and documentary database for those handling the cases of minors
 - Setting-up of centres for the protection of minors within the courts of appeal with a view to combating violence against minors
- 4) Support for the central administration:
- Creation and equipping of a documentation centre for international humanitarian law and family law
 - Creation and equipping of a national legal documentation centre

(f) Beneficiary institution

Ministry of Justice

3.2.2. Support for the implementation of the recommendations of the IER

(a) Background and rationale

In recent years Moroccan policy on human rights has led to the reform of family law with a view to greater equality between women and men and the setting up of the Fairness and Reconciliation Commission (*Instance Équité et Réconciliation* - IER) responsible for dealing with past cases of human rights violations and bringing about reconciliation.

The IER was assigned three tasks concerning history and memory: (i) establish the truth about human rights violations that occurred in Morocco between 1956 and 1999 in order to satisfy the right of victims and their families to the truth; (ii) explain the context of these violations, i.e. clarify their institutional, socio- economic, political, judicial and legal causes with a view to ensuring that they are not repeated; (iii) preserve memories: this is regarded not only as part of the reparation process but also as a form of education in citizenship. The IER finished work in November 2005 when it presented its final report to King Mohammed VI.

The proposed project is consistent with the guidelines of the Neighbourhood Action Plan, in particular the guidelines set out in the subchapter on human rights and fundamental freedoms of Chapter 2.1 on political dialogue and reform.

(b) Objectives

Contribute to the effective implementation of the IER's recommendations and so underpin the overall process of democratic transition in Morocco by supporting the institutions designed to preserve memory and the adoption of related policies.

(c) Expected results

- Creation of a Moroccan institute of contemporary history (Institut marocain d'histoire du temps présent - IMHTP).
- Promotion and strengthening of a modern policy on public and private archive.
- Creation of a national history museum.

(d) Brief description of the programme

The programme will last four years. The indicative activities are:

1) Support for the creation of a Moroccan institute of contemporary history (IMHTP).

- Moroccan society has in recent years been engaged in a great effort to remember its recent past, a process supported by the government and given expression in the work of the IER. The material thus gathered, plus any that is not yet accessible, will be made available to Moroccan historians in particular, and research workers in the social sciences in general, so that they can start to interpret and analyse it. The programme will support the government's creation of a multidisciplinary Moroccan institute of contemporary history and the provision of financial and human resources. In addition to its teaching and research programmes, the future IMHTP may also be responsible for preserving the archives of the political and social history of independent Morocco (political, trade-union and NGO archives, plus those of the institute itself).

2) Support for the adoption of a modern policy on public and private archives.

- Promote the adoption of a law on national archives, both public and private.
- Promote the constitution of a national archives authority responsible for enacting regulations and implementing laws, training staff in inventories and conservation, and monitoring the application of the law by various public bodies. One of the first tasks of this authority could be the launching of a national inventory of existing archives.
- Support to make private actors aware of the need to preserve their archive resources under the best possible conditions and for the formulation of public policies in partnership with private actors (parties, associations, business, trade unions, professional bodies, etc.) on training and archive conservation programmes.

3) Support for the creation of a national history museum.

- The programme will support the creation of a national history museum proposing exhibitions that will publicise the progress in national historical research. This museum would introduce the public to the work of the IMHTP and the archives authority.

(e) Performance indicators

To be determined at the time of the identification mission.

(f) Beneficiary institution

The advisory committee on human rights or other institution proposed by the IER for the implementation of these recommendations.

(g) Indicative budget/year of commitment

€ million/2008

3.3. INSTITUTIONAL SUPPORT PRIORITY

3.3.1. Completion of public-administration reform

(a) Background and rationale

Morocco is engaged in a large-scale reform of the public administration focused on three areas: budget management, the management of human resources, and control of the wage bill. The Commission is supporting this major reform with a budgetary support programme in partnership with the World Bank and the African Development Bank.

The technical complexity and political sensitivity of the issues at stake mean that the substance and timetable of this reform are evolving over time. Measures may be implemented sooner or later than initially planned, while others are amended or replaced by others. For example, the incentive scheme for early retirement was carried out a year later than planned but on a scale well beyond the initial objectives and ambitions. Consequently, the implementation timetable for the reforms -- completion of which was initially scheduled for 2006 -- was extended until the end of 2008. The World Bank and the African Development Bank have already adjusted their support to this change of scenario with a new loan suited to the new timetable and new measures. In view of the successful implementation of the Commission's programme (three tranches out of four have already been spent), the importance of this reform, the very high transition costs (€1 billion for the early retirement package) and the reforming zeal displayed by the government, it would be wise to propose additional EU support. That will make it possible to support the Moroccan government beyond the preparatory phase of the reform until it is finalised and the effective implementation phase starts.

(b) Objectives

The overall objective is for the government to attain a high level of effectiveness in the management of budgetary and human resources and a stabilisation of the public-sector wage bill. The specific objectives concern the consolidation and strengthening of the main areas of reform, namely:

- Better visibility of policies and of their medium-term budgetary expression: budget appropriation decisions are taken in a multiannual perspective.
- Increased involvement of decentralised services in the process of programming and budgetary implementation, which will be centred on results and the statement of accounts.
- Improved performance of ministries thanks to the introduction of internal audits, evaluation and performance control.
- Completion and implementation of the new system of human-resource management.
- Completion and implementation of the new systems of pay, recruitment and mobility, assessment, and promotion.
- Evaluation of the impact of early retirement and development of a new forecasting model for the wage bill.

(c) Programme description

The programme will take the form of an updating and fleshing-out of the package of measures currently being supported. The Commission, in conjunction with the World Bank and the ADB, will conduct an in-depth dialogue with the Moroccan authorities with a view to negotiation of new sets of measures and performance indicators appropriate to pursuit of the reforms.

(d) Budget/year of commitment

€20 million/2007

3.3.2. Programme of support to the Action Plan (PAPA)

(a) Background and rationale

Under the Neighbourhood Policy Action Plan Morocco has embarked on a major effort to align itself on EU legislation, rules and standards. This will enable it to gradually take advantage of the possibilities offered by the Neighbourhood Policy, in particular with a view to moving beyond existing relations towards a significant degree of integration. This would include Morocco's having access to the internal market and gradually taking part in key parts of EU policies and programmes. This will require a great deal of effort on the part of Morocco to create the legislative and institutional conditions necessary. This

ambition is expressed in Morocco's request for an "advanced status" in relation to the EU which would be "more than association and less than accession".

Moreover, under the Association Agreement Morocco entered into commitments concerning trade in services and the right of establishment, and concerning trade-related issues, where liberalisation negotiations are ongoing. These provisions require an improved legislative and legal framework and the strengthening of the institutions responsible for implementing them. The work of the subcommittees – bodies set up to implement the Association Agreement and the Action Plan -- will require detailed follow-up supported by expert technical opinions, studies, etc.

Morocco has already had two programmes (committed in 2002 and 2005 under Meda) to support the implementation of the Association Agreement; they also provided financing for twinning schemes with EU Member States. The new programme follows up and builds on these programmes.

(b) Objectives

- Alignment of legislative and legal frameworks on those of the EU and strengthening of the institutional framework for effective implementation of the programme under the ENP
- Support for the implementation of the Association Agreement

(c) Expected results

The programme will adopt a demand-driven approach. Results will be looked for mainly in the legal and regulatory frameworks for trade and any other area falling under the Action Plan, and in improved regulation of the domestic market, in particular legislation on competition, state aid, industrial standards, consumer protection, environmental protection, industrial and intellectual property, transparency of public procurement and, where appropriate, and services and the right of establishment. Results will be identified on a case-by-case basis, i.e. in relation to the project being aided.

(d) Programme description

The programme is for the public sector. Beneficiaries will be ministries and public bodies involved in implementing the Association Agreement and the Action Plan. The coordinator will be the Ministry of Foreign Affairs.

The programme will make available an operating fund that will be used for tackling problems arising during the implementation of the agreements. The mechanism should be sufficiently flexible for rapid mobilisation of top-quality expertise. Support will consist of short- and medium-term technical assistance, studies, civil-service twinning arrangements, training, participation in seminars, organisation of conferences, and equipment. The scope of twinning scheme may cover all the priorities laid down in the ENP Action Plan.

A study fund will be created under this programme in order to provide the necessary relevant expertise for the implementation of the agreements and development of sectoral strategies.

(e) Performance indicators

To be determined at the time of the identification mission.

(f) Indicative budget/year of commitment

€10 million/2008 and €10 million/2010

3.4. ECONOMIC PRIORITY

3.4.1. Private-sector: programme to promote investment and the exports of Moroccan industry

(a) Background and rationale

Morocco is today confronted with major economic challenges, in particular the growth rate and the growing deficit on its trading account. To tackle this, the Moroccan government has adopted a new pro-active and targeted industrial strategy which has two planks:

- The development of Morocco's global trading strengths (offshoring, motor vehicles, electronics, agri-foods, etc.), which will be the engines of export growth.
- The competitive modernisation of the existing industrial fabric, which will help Morocco cope with major social challenges such as saving jobs and capital.

This strategy takes account of the need to maintain a stable macroeconomic environment and to continue long-term efforts on cross-cutting economic structures, in particular improvement of the business environment.

The EU-Morocco partnership in the competitive modernisation of the industrial fabric was given a boost by the pilot programme "Entreprise" (Meda I) followed by the support programme for business (Meda II), which will finish in 2008.

A programme to "promote investment and the exports of Moroccan industry" is proposed to support the implementation of the new guidelines on industrial policy and to tackle growth-investment-employment problems. This programme will be part of the support for enterprise policy that corresponds to the objectives of both the ENP Action Plan and the Euro-Mediterranean Enterprise Charter.

(b) Overall objective

The overall objective is to strengthen the competitiveness of industry and improve the environment for business in Morocco in the context of the trade liberalisation under the EU-Morocco Association Agreement.

(c) **Specific objectives**

1. Higher industrial investment following the implementation of measures to improve the environment for investment by companies developing their operations in Morocco, in particular investments in Morocco by the Moroccan diaspora.
2. Moroccan companies are more competitive thanks to the promotion of innovation.
3. Increased exports to the Community market following measures to facilitate EU-Morocco trade, in particular access to the market for industrial products. Bring Moroccan legislation on industrial products further into line with international and European rules and practices.

(d) **Expected results**

1. **Higher industrial investment** following the implementation of measures to improve the environment for investment by companies developing their operations in Morocco. The programme will adopt a demand-driven approach. Results will be looked for mainly in the legal and regulatory frameworks for trade and any other area falling under the Action Plan, and in improved regulation of the domestic market, in particular legislation on industrial products, competition, state aid, industrial standards, consumer protection, industrial and intellectual property, and the transparency of public procurement. Results will be identified on a case-by-case basis, i.e. in relation to the project being aided.
 - Investors are better protected thanks to the implementation of reforms to uphold contracts and property rights.
 - The administrative procedures necessary for the setting-up, transfer and closure of companies, and for technological development and transfer are simplified; rules are transparent and applied uniformly; documents are easy to understand and the administration makes them available on-line; procedures concerning the enforcement of contracts are applied; measures are introduced to check the impact of the new laws on business.
 - Access to credit for industry, in particular for SMEs, is improved.
 - The number of jobs in industry has risen.
 - Industry's contribution to GDP has risen.
 - Productive investment by Moroccans residing abroad (MRE) is facilitated.
2. Moroccan companies are more competitive thanks to the promotion of innovation.
 - Establishment of conditions for the development of knowledge-based services thanks to proper protection of intellectual property, and the development of financial instruments and appropriate tax incentives.
 - SMEs have better access to technological and economic information through access to EU networks which disseminate this information.
 - More client-friendly technology parks and business incubators.

- Greater participation of SMEs in European and international cooperation programmes on R&D, innovation, technology transfers, cooperation, knowledge-sharing and benchmarking.
3. Increased exports to the Community market following measures to facilitate EU-Morocco trade.
- Approximation of legislation on standards, technical regulations and conformity assessment, in particular for industrial products.
 - Stronger institutions in charge of standardisation, conformity assessment, metrology and market monitoring, in line with the best European practice.
 - Cooperation with EU manufacturers is strengthened.
 - The EU-Morocco trade balance has improved.

(e) Programme description

The programme will provide support to:

- **business** development projects in the priority sectors of the new industrial strategy; all operations of companies where the company acts as project supervisor with the aim of implementing the Euro-Mediterranean Enterprise Charter. By way of example, these operations may concern the following:
 - 1) Identification and coaching of investors, including investors from the Moroccan diaspora
 - 2) Feasibility studies/business plans
 - 3) Industrial performance/innovation/product diversification
 - 4) Studies of European markets
 - 5) Identification of partners, and partnership and consortium projects
 - 6) Participation in trade fairs
 - 7) Textiles/clothing
 - 8) Organisation of training and information for participation in framework research (FP 7) and innovation (CIP) programmes. Support for national focal points
- the development and implementation by the **Moroccan authorities** of relevant reforms in the industrial sector.

(g) Beneficiaries

Private-sector industrial companies (including public-private partnerships), Moroccan government, and business support services

(h) Indicative budget/year of commitment

€20 million/2008 et €40 million/2009

3.4.2. Vocational training

(a) Background and rationale

The National Education and Training Charter established vocational training as an instrument for satisfying industry's need for skills and for promoting youth employment and improved new prospects for employees. Since 2000 the Moroccan government has

drawn up a development strategy for the sector and encouraging results have been noted, particularly in terms of strategic partnerships between industry and the vocational training system, and of the development of the system. However, the number of school drop-outs and failures, high demand and structural unemployment put strong pressure on the vocational training system and highlight its inadequate capacity. Nor is the quality of the supply adequate to the needs of the target public to give access to the labour market. Despite the measures being taken, the supply of vocational training is still largely residential (80%), while training in the form of the dual system and apprenticeships (9% and 11% respectively) remains rare. In quantitative terms, a problem of capacity remains. There is a big gap between supply of and demand for training (a ratio of about 1 to 5).

(b) Objectives

Satisfy industry's need for skills in accordance with Morocco's efforts to ensure growth, investment, modernisation of the private sector and employment, together with other interventions implemented or planned in the framework of EU cooperation. The programme can also help improve the training of candidates for economic migration, drawing on the results of the ANAPEC support project.

(c) Expected results

- Conclusion and signing of strategic partnerships between vocation training centres and companies/professional associations.
- Quantification and qualification of companies' skills and resource requirements (growth sectors in line with Morocco's industrial development policy) and in the countries that are the main destinations for Moroccan economic emigrants.
- Development and modernisation of the training system.
- Extension of dual-system training.
- Development of apprenticeships.
- The upgrading and promotion of private-sector vocational education to enrol 80 000 trainees in 2010/2011, compared with 65 800 in 2004/2005.
- Consolidation of the mechanisms set up for the development of on-the-job training.

(d) Programme description

Vocational training has been a traditional area of cooperation with Morocco under the "Protocols" programmes and Meda I and Meda II. The neighbourhood policy is continuing this strategic approach and interest.

EC support has generally proved positive in terms of efficiency and effectiveness and a structured dialogue on partnership has started and will be consolidated. EC intervention logic and methodologies have evolved over time. There is now a need to move towards sectoral support and leave behind the classic ad hoc project approach. Community support will be organised in liaison with the beneficiary to ensure the overall consistency

of the strategy and cover the financial needs of the sector. The EC intervention will focus on:

- raising the involvement of industry in the steering of the strategy and the management of the supply of vocational training;
- developing the dual system of training and apprenticeships;
- revitalising on-the-job training with stress on workers' functional literacy;

This entails action on structural aspects, in particular:

- reinforcing and putting on a systematic footing partnerships between the demand for (industry and professional associations) and the supply of (public and private) vocational training through the adoption or renewal of strategic framework agreements with the professional associations in growth sectors of the Moroccan economy;
- adopting a suitable legal framework to promote workers' functional literacy;
- improving the effectiveness of coordination between the strategic steering and the operational implementation of the vocational training system;
- strengthening the mechanisms for identifying skills requirements in the growth sectors of the Moroccan economy covered by the above agreements (in particular the new sectors targeted by Morocco's industrial policy) and also in the main host countries of Moroccan economic emigrants;
- a flexible and systematic matching of vocational training supply to the skill needs of key, job-generating economic sectors consistent with Morocco's industrial policy while rationalising the supply of vocational training (quantitative and qualitative);
- adjusting non-formal vocational training supply (accelerated, evening classes, etc.) to cope with more immediate social needs, especially in very sensitive employment areas and parts of the country;
- disseminating the skills approach and stepping up the excellence process already initiated. This involves:
 - a revue of training channels and levels
 - teacher training and refresher training
 - training of company training coaches
 - training of young and adult trainees
 - the overhaul of vocational training establishments in line with the APC

In addition, the programme will take account of the recommendations arising from the study of vocational training system and the specific problem of women's access to vocational training.

(f) Indicative budget/year of commitment

€50 million/2009

3.4.3. Support for agriculture

(a) Background and rationale

The liberalisation of trade in agricultural products and the creation of a free-trade area by 2010, plus the reforms and modernisation measures to be implemented by Morocco in agriculture, call for a concrete and pragmatic response from the EU. The agricultural sector, which employs 45 % of the Moroccan population, is facing internal and external challenges which call for reforms to modernise the sector and overcome the constraints which slow down its development. These constraints include scarcity of water, climatic fluctuations, inappropriate accompanying policies, poorly skilled human resources and inadequate land structures. The socio-economic impact the opening of the Moroccan market has had on some products and categories justifies concrete and targeted actions.

(b) Objectives

The overall objective is to achieve the objectives of the Rabat roadmap in accordance with the five-year programme (adopted at the Barcelona Summit in November 2005). The specific objectives are:

- to identify and adopt the accompanying measures for the necessary structural, institutional, legal and administrative capacity building, thereby facilitating access to export markets;
- identify and adopt specific programmes to modernise agriculture, including research programmes;
- identify and adopt measures in the rural development sector with a view to developing quality products (local specialities, organic products, geographical indications, and so on, in the Moroccan legal framework) that will help diversify agriculture and create new sources of trade that are remunerative and sustainable. These measures may include the promotion of typically Mediterranean products for export to other regions of the world;
- identify and develop measures to create a legal framework to encourage private investment.

(c) Expected results

The programme will adopt a demand-driven approach. Results will concern the following in particular:

- building the capacity of the authorities and institutions responsible for modernising Moroccan agriculture, including agricultural research;
- building strategic capacity, in particular statistics, support for analytical studies and sectoral policy formulation;

- strengthening and creation of producer organisations for the various product chains;
- framework measures for the promotion of product quality: development of labelled products and local products;
- diversification of production.

(c) Programme description

The programme is for the public sector. Beneficiaries will be the Ministry of Agriculture and public bodies involved in the implementation of the Association Agreement and the Action Plan.

The programme will make available a budget to deal with problems arising during the modernisation of Moroccan agriculture and the liberalisation of agricultural trade, especially as regards some specific products. The mechanism should be sufficiently flexible for rapid mobilisation of top-quality expertise. Support will consist of short- and medium-term technical assistance, studies, civil-service twinnings, training, participation in seminars, and organisation of conferences. The use of TAIEX as additional support will be an asset.

(e) Performance indicators

To be determined at the time of the identification mission.

(f) Indicative budget/year of commitment

€40 million/2010

3.4.4. Extension of the Rocade project

(a) Background and rationale

The northern provinces, which have a very rugged terrain - mainly as a result of the long 250 km chain of the Rif, are isolated from the rest of the country and are lacking a direct and reliable East-West transport link. The user density of the regional road network is lower than the average for the country as a whole: 1.4 kms/1000 inhabitants against 2.3 nationally. Communications between the coastal areas are also made difficult by steep slopes, the height of the relief, the nature of the soil, and the many wadis cut into deep valleys.

There is a low rate of schooling among the population, especially among rural women where the illiteracy rate reaches 87.2%. It is concentrated in the central Rif, in the middle of the mountains and in the coastal urban centres. The economic situation of the area is characterised by a not very productive traditional agriculture, embryonic industry and a service sector where the administration takes pride of place. The lack of outlets in the region also leads to migration to Europe. The area's poor communications discourages the

development of more formal economic activities such as tourism, although the area has high potential.

The Moroccan government is aware of all these difficulties. Since 1995, when the Agence du Nord was set up with responsibility for promoting economic development in the North, economic development of the area has been a top priority. The creation of a permanent direct road link between Tangier and Saidia (540 km) is seen as crucial for the economic future of the area. It will help bring about the socio-economic integration of all the northern provinces. This project corresponds to one of the Moroccan government's policy priorities, namely to reduce the disparities in socio-economic development between the regions and between urban and rural areas.

This project is part of the EU-Morocco cooperation strategy aimed at improving the socio-economic balance of the country. This intervention is consistent with EU strategic guidelines, in particular for road transport infrastructure because it will: (i) reduce disparities between the regions and between rural areas and industrial and urban areas; (ii) develop the professional organisations in the sector and promote the construction and transport industry; (iii) strengthen the rural communications and transport in the northern provinces; (iv) seek cooperation, complementarity and even cofinancing with other donors.

(b) Objectives

The project's overall objective is the sustainable and balanced economic development of the northern provinces thanks to a main road connecting the provinces of Tetuan, Chefchaouen, Al Hoceima, Nador and Oujda by the Mediterranean coast.

The specific objective is to open up the coastal areas of Chefchaouen and Al Hoceima provinces and to encourage their integration into the regional and national economies thanks to the completion of some missing sections of the East-West coastal road.

(c) Expected results

The expected results of the project are:

- the construction of a road with good levels of service;
- increased East-West traffic in the Rocate;
- the creation of new economic activities and jobs likely to encourage people not to emigrate.

(d) Performance indicators

The indicators will be:

- i. monitoring of road traffic trends on the main road in the form of regular surveys by the roads authority;
- ii. the level of vehicle ownership on the basis of provincial statistics and regular or ad hoc surveys by the roads authority;

- iii. the trend in fuel consumption on the basis of data from oil companies;
- iv. vehicle and spare part sales on the basis of Chamber of Commerce statistics;
- v. sales of construction materials and technological inputs for irrigated agriculture;
- vi. the development of the area's socio-economic indicators regarding the status of women on the basis of provincial statistics from the health ministry and ad hoc surveys;
- vii. measurement of the level and sources of income and households' consumption, on the basis of provincial economic reports.

(e) Brief description of the programme

The financing proposed under this NIP is additional to the existing Mediterranean Rode programme, to which the EC committed €124.48 million in 1999.

The Ministry for Infrastructure and Transport – Directorate for Roads and Road Traffic (DRCR) will be the project's authorising officer.

A national steering committee (CNS) bringing together representatives of the government departments concerned and the European Commission will be set up to coordinate activities in the provinces. **It will be chaired by the Secretary-General of the Transport Ministry.**

This programme will give access to the region and make the population less isolated by giving them a link to the rest of the network. The roads provided for under the programme will make it possible to:

- Exploit the significant tourist potential of the northern area.
- Promote trade within the area and economic integration with the rest of the country.
- Establish tighter links and closer integration among the population in areas such as culture, public administration, health and education, thereby eliminating a major cause of rural depopulation.

(f) Beneficiary institution

The beneficiary is the government of Morocco, represented by the Ministry for Infrastructure and Transport.

(g) Indicative budget/year of commitment

€25 million/2007

3.4.5. Improving communications to isolated areas: social road infrastructure

(a) Background and rationale

This project is part of the 2005-2010 national rural roads programme: the communications objective will rise from 50% to 80%, and will involve 15 000 km of road. In addition to the participation of local authorities and EIB partial financing, there is a need for financing for what are called "social" roads to provide access for 2.5 to 3 million people.

The Transport Ministry manages a road network which is constantly developing and changing. The network is estimated at 56 986 km, including 35 026 km of surfaced roads and 21.960 km non-surfaced roads. Roads are classified in three categories:

- Trunk roads: 11 251 km, of which 9 806 km surfaced
- Regional roads: 10 078 km, of which 8 855 km surfaced
- Provincial roads: 35 657 km, of which 16 365 km surfaced

In order to create a road network that satisfies the country's socio-economic requirements, the Transport Ministry is implementing a policy to preserve the existing road network, adapt it to traffic trends so as to reduce traffic costs, improve the standard of service offered to users and road safety, and extend the road network to improve access to more isolated rural areas.

To preserve the network, the Transport Ministry is continuing work to improve the state of the roads by carrying out an annual programme to reinforce 1 700 km of road surface and build and repair 50 engineering works.

The Transport Ministry's road maintenance efforts have significantly improved the proportion of the road network in a good/acceptable state of repair, the proportion having risen from 53.3 % in 1990 to 65% in 2004. The Ministry is also continuing work to adjust the road network to the rise in traffic, which is increasing at an annual average of 6% (i.e. doubling every 12 years); it is doing this by widening approximately 500 km road a year with a view to reducing vehicle operating costs and keeping traffic flowing. To improve road safety, the Ministry has also drawn up a plan of action to deal with 45 black spots a year for an annual cost of MAD 50 million.

The Ministry has implemented with all the actors concerned an integrated strategic road-safety plan, which brings together a number of relevant and urgent measures that, once implemented, will help to bring down the number of annual deaths and severe injuries, which are currently on the rise.

Rural development, one of the objectives of the neighbourhood policy pursued by the government, constitutes a real challenge for overall development and calls for the participation of all the actors concerned. It covers in particular: balanced land-use planning; the strengthening of national solidarity by reducing the disparities in socio-economic development between regions and between the urban and rural areas; and an improvement in the socio-economic conditions of the population thanks to job creation, poverty reduction and the conservation of natural resources.

Within this framework, basic infrastructure, in particular infrastructure for access roads, plays an essential role in the strategy of developing rural areas socially and economically. Rural roads facilitate the rural population's access to basic social services, promote trade and develop local resources.

In order to implement this strategy, the government has launched rural development programmes and measures necessary to initiate the creation of basic facilities with a view to meeting urgent needs for improved communications within a reasonable time. Roads are essential for the economic and social development of the areas in question, and lead to a better geographical distribution of productive activities and facilitate the creation of new projects.

This programme will be carried out in compliance with environmental standards and to this end an environmental impact assessment (EIA) will be carried out in line with international standards.

(b) Objectives

The project's overall objective is to reduce the existing disparities in the socio-economic development of the regions and between urban and rural areas. Other priorities are to improve the living conditions of poorer sections of the population, reduce poverty, and enhance the use of human resources through regional rebalancing and better inter-provincial integration.

The specific objectives are:

- The socio-economic development of landlocked rural regions.
- Improving communications to rural areas.
- The strengthening of national cohesion by reducing regional disparities.
- Improvement of the socio-economic environment by promoting employment and reducing poverty.
- The conservation of the country's natural resources.
- An increase in the pace of rural road-building so that the proportion of the rural population that is accessible rises from 54 % in 2005 to 80 % in 2015: this entails building 15 500 km of rural roads between 2005 and 2015 at a pace of approximately 1 500 km a year.
- Reduce interprovincial disparities in road accessibility.

(c) Expected results

The programme aims to improve communications for the rural population and contribute to socio-economic development through the construction, upgrading and maintenance of rural roads and tracks.

(d) Programme description

The programme will consist of budgetary support. The main activities are the following:

- Construction of structural road links connecting rural areas to the national network.
- Building of rural roads to open up rural areas.

This programme will give access to the region and make the population less isolated by giving them a link to the rest of the network. The programme will:

- Promote trade within the area and economic integration with the rest of the country.
- Establish tighter links and closer integration among the population in areas such as culture, public administration, health and education, thereby eliminating a major cause of rural depopulation.
- Exploit potential for tourism.

The overall cost of this programme will be financed as follows:

- National budget: 40%
- Road fund: 45% by mobilising external financing
- Contributions from local authorities: 15% under partnership arrangements

(e) Performance indicators

To be determined at the time of the identification mission. Possible indicators:

- Improved "rural access indicator" (proportion of rural population living less than 2 km from a rural track)
- Increase in traffic

(f) Indicative budget/year of commitment

€25 million/2010

3.4.6. Energy sector: support for reform of the energy sector in Morocco

(a) Background and rationale

The current situation of high oil prices weighs heavily on the competitiveness of the Moroccan economy. The price rise has increased government spending because of the support granted to petroleum product prices. The national oil bill will be almost double in 2006 compared with 2004. The security of energy supplies is also giving cause for concern in view of the weakness of the country's energy resources. Morocco depends almost entirely on imports of primary energy products, two-thirds of which in the form of coal.

Anxious to minimise the negative effects of its energy dependence on the economy, the Moroccan government has been engaged in a reform programme of the energy sector for the last decade. The measures currently in hand include the gradual restructuring of the electricity sector and the development of the Moroccan gas sector (natural gas was introduced in Morocco in 2005).

Morocco is a signatory of the memorandum of understanding on the gradual integration of the electricity markets of Algeria, Morocco and Tunisia into the EU's internal market in electricity (2 December 2003); this regional initiative is being developed.

In the oil sector a project to upgrade one of the two Moroccan refineries is under way and will improve the quality of oil products. In addition, the Ministry of Energy and Mines is implementing and monitoring the rules on vehicle inspection in order to ensure the safety of infrastructure, people and goods, control industrial risks, adopt specifications and standards on product quality and environmental protection relevant to the energy sector and mining.

Added to this are efforts to make the Moroccan economy more efficient and promote the use of renewable energy resources. The potential for saving energy in Morocco, estimated currently at more than 15% of national consumption, should be even greater in the medium and long term, in view of the country's economic development.

However, such reforms require technical assistance if Morocco is to adopt the rules and standards currently applied in the EU's energy market. This assistance should endow Moroccan institutions with the necessary administrative capacity to implement these rules and standards. Assistance could be given for the development of the gas market, energy efficiency and renewable sources of energy, a strengthened strategic watch function, **better quality oil products and improved technical inspections of energy facilities.**

(r) Overall objective

The overall objective of the project is the adoption of reforms in the Moroccan energy sector, with a view in particular to its gradual integration into the Euro-Mediterranean electricity and gas markets, greater security of supply and diversification of energy supplies, especially through the development of renewable energy resources; priority will be given to energy management through energy efficiency measures, product quality and forecasting of energy demand.

The project aims to support the following steps:

1. development of the gas sector, including the necessary legislative and legal framework aligned on the EU framework and continuing reform of the electricity sector, with the aim of gradually integrating the Moroccan electricity and gas markets into the Euro-Mediterranean markets;
2. improving oil product quality and the technical inspection of energy facilities;
3. improving energy consumption and increasing the use of renewable energy in industry, transport and the hotel trade, plus promoting the clean combustion of coal;
4. improving the monitoring of the energy sector and energy forecasting.

(c) Expected results

1. The development of the gas sector and progress in reform of the electricity sector

- Implementation of a training programme for actors in the natural gas market with a view to aligning it on the EU legislative, legal and practical frameworks;
- Establishment of the organisational structure of the natural gas market.
- Harmonisation of the standards, security arrangements and so on applied by the Moroccan gas industry with those of the EU.
- Identification of possible barriers to trade with the third countries and search for solutions to overcome these difficulties.
- Continuing reform of the electricity sector with the aim of gradually integrating it into the Euro-Mediterranean market.

2. Energy efficiency has improved, as has the use of renewable energy

- A specialist body to promote energy efficiency and renewable energy is set up: material and human resources are developed.
- Financing mechanisms for energy efficiency and promotion of renewable energy are set up.
- Standards and energy consumption labels are introduced.
- Managers and technical staff in industry, transport and hotels are better informed and aware of the issues, as are households.
- A number of technician staff in the programme's target sectors are trained in the efficient use of energy and the adoption of renewable energy.
- Training courses in energy efficiency and renewable energy are established in vocational training bodies.
- Projects to promote energy efficiency and adoption of renewable energy are implemented and disseminated in the target sectors.
- Energy savings and a more diversified supply thanks to renewable energy are recorded by enterprises in the target sectors.

3. Stronger strategic watch function in the energy sector

- Surveys on consumption are carried out: detailed data on final energy consumption is gathered and broken down by sector and by region.
- Forecasting and energy programming instruments are created.
- The strategic watch system for the energy sector is set up in order to monitor and evaluate the implementation of national energy policy.

4. Better oil product quality and technical inspection of energy facilities

- Legislation and regulations governing the security and safety of energy facilities are revised in accordance with EU standards and rules: handbooks on checking energy facilities are drawn up.

- Staff are qualified to organise and carry out security and safety audits of energy facilities.
- The national laboratory improves its performance.

(d) Programme description

The programme consists of four main components covering natural gas, energy efficiency and renewable energy, product quality and forecasting of energy demand. The programme will underpin the Moroccan government's reform efforts in the energy sector.

1. Development of the gas sector. Assistance for the reforms needed in the natural gas sector with the aim of aligning the sector on EU legislative, legal and practical frameworks. Continuing reform in the electricity sector.

2. Energy efficiency and renewable energy. Technical assistance will be concentrated in three main areas relating to information and awareness-raising, technical support (for example, energy audits, demonstration projects, study on the management of electricity demand, study of the potential for adopting renewable energy in the construction industry and for electricity production), and training.

3. Strengthening the strategic watch function in the energy sector. The aim of strengthening the strategic watch function in the energy sector is to align Moroccan energy statistics on international standards (International Energy Agency, Eurostat): better target Moroccan energy policy while maintaining the strategic framework of the sectoral reforms and supporting medium and long-term energy forecasts.

4. Better oil product quality and technical inspection of energy facilities. The programme will support the efforts of the Ministry of Energy and Mines to strengthen the technical inspection of energy facilities, including the modernisation of the national energy laboratory and the Casablanca mines.

(e) Performance indicators

They will be established during the identification mission.

(f) Indicative budget/year of commitment

€40 million/2008

3.5. PRIORITY ENVIRONMENT

3.5.1. Support for the FODEP

(a) Background and rationale

The industrial depollution fund (FODEP) was set up in 1998 by the Ministry of Regional Planning, Water and the Environment in partnership with the German cooperation agency (KfW) as part of German-Moroccan cooperation. It aims to encourage industrial and craft enterprises to invest in depollution and/or resource saving and make international environmental standards a management concern.

The objective is to foster respect for the environment and make industrial activity comply with international standards by offering incentives for investment in environmental protection. It will do this through savings in the use of natural resources and reduced liquid, solid and gaseous industrial emissions. Technically it comes under the Ministry of Regional Planning, Water and the Environment, and financially under the Caisse Centrale de Garantie, in liaison with the banking system for loans. Recipients are polluting entities with a total balance sheet of less than €40 million. Eligible projects include treatment of wastewater, gaseous emissions and solid waste, saving of resources, in particular water and energy, and changes in production/processing processes and the introduction of clean technologies.

FODEP assistance combines grants of between 20% to 40% (depending on the type of pollution-control measure), self-financing of up to 20% and bank loans for the rest. Some 50 projects to the tune of €25 million have been approved since its creation.

Financing requirements for 2007-2008 are put at €25 million: more than 80% is for pollution control in the Sebou catchment basin. Looking forward to 2007-2010, they are put at €50 million, 20 million of which in grants.

FODEP's action on industrial emissions will complement the Community project to provide a sewage network and domestic wastewater treatment in the Sebou basin.

(b) Objectives

The overall objective is environmental protection, in particular the water resources of the Sebou catchment area.

The specific objectives of the project are: (i) to reduce the pollution cause by industrial discharges; (ii) to reduce solid and gaseous industrial emissions; (iii) to protect natural resources; (iv) to improve the performance of industrial and craft units.

(c) Expected results

1. Wastewater discharges treated.
2. Reduced industrial emissions.
3. Changes in manufacturing processes.

4. Water quality protected.
5. Improved air quality.
6. Public health protected.
7. Improved working environment in factories.
8. Improved performance of industrial and craft units.

(c) Programme description

Community funding will contribute to the implementation of environmental actions, including scientific and technical research and the use of innovative solutions resulting from research in the real world. . The project will take the form of financial aid for FODEP liaison with the resources made available by the KfW. The recipient of Community funding is the Ministry of Regional Planning, Water and the Environment.

(e) Performance indicators

- Number of cases handled by FODEP and aid granted.
- Amount of depollution investment.
- Depollution results achieved and supported in the medium term.
- Development of clean technologies.
- Number of companies which use, without financial support from FODEP, clean technologies developed by the companies aided.
- Improvement in air and water quality.

(f) Specific conditions

The special conditions for this project are:

- Continued support for FODEP.
- Continued efforts by the government to make industry aware of the need for environmental protection.
- Consolidation of MATEE's cooperation with the Moroccan Centre for Clean Production (CMPP), which is an offshoot of the Moroccan Confederation of Industry (GCEM). Cooperation between MATEE, the waterbasin agencies, local authorities and ONEP put on formal footing.
- Enhancement of FODEP's management capacity.

(g) Budget/year of commitment

€15 million/2008

3.5.2. Sewage treatment

(a) Background and rationale

Almost 90% of the country's overall water resources are mobilised, 80% for irrigation and 20% for other uses (industry, tourism and households).

The possibility of increasing the supply by means of dams is reaching its limits while demand, which is subject to little control, is growing. Projections of supply and demand show that per capita water resources in 15 years will be close to the water-shortage threshold of 750 m³/person/year and that 35% of the population will live below the threshold of "absolute shortage", 500 m³/person/year.

The growing scarcity of water resources goes hand in hand with worsening water pollution, of surface water in particular: only 5% of domestic sewage is treated. The cost of the deterioration of Morocco's water resources is put at €1 billion a year, i.e. equivalent to more than 3% of GDP.

The combined effect of the scarcity of water resources and pollution constitutes a serious threat for the sustainable economic use of water resources.

The water law adopted in 1995 gave the green light for a large-scale reform of the sector which the looming problems have made inevitable.

The continuation of earlier cooperation actions (Member States/EC) and support for reform through the water-SAF (EC, the ADB and the World Bank) has made it possible to establish the essential institutional arrangements for the development of the sector. The combined efforts of the Member States (mainly Germany and France) and the Commission have helped create propitious conditions for investment in sewage networks.

The reforms include the establishment of integrated water-resource management via the waterbasin agencies, tariff regulation of the use of water, rationalisation of public investment and management of the environmental impact of urban and industrial waste.

In follow-up to the SAF the government adopted a national sewerage plan (PNA) as a priority action in the water sector, and the EU has allocated €30 million under the 2006 NFP to finance a first tranche of the plan. The project under the 2007-2010 NIP constitutes the second tranche of aid for the implementation of the plan.

(b) Objectives

The overall objective is to improve the economic and environmental management of water resources.

The specific objectives of the project are: (i) to develop urban sewerage, in particular waste treatment, giving priority to innovative solutions appropriate to the socio-economic context and environment. (ii) improve the urban environment; (iii) to contribute to the preservation of water resources.

(c) Expected results

1. Sewage treatment plants built.
2. Wastewater pipelines built.
3. Charges on water pollution brought in.

4. Role of agencies in incentivising depollution confirmed.
5. Analysis of the contractual relations between the beneficiary local authorities, the contracting authority for the projects, the ABH and the sewage operators.
6. Improved urban environment.
7. Water quality protected.
8. Reform of the sector consolidated.

(d) Programme description

Community funding will contribute to the implementation of the following actions:

1. sewage and wastewater treatment programme with a particular focus on the use of research findings and the implementation of innovative solutions appropriate to the socio-economic context and environment;
2. technical assistance for its implementation;
3. technical assistance for the institutions responsible for water management.

The funding will take the form of a grant. The project will be executed in liaison with the government as donor. The government's contribution to the project must be at least equal to the Community contribution. The recipient of Community funding is the Ministry of Regional Planning, Water and the Environment.

(e) Performance indicators

- Agreements concluded between the waterbasin agencies, polluters/local authorities and the contracting authority.
- Systems for charging for water pollution.
- Construction of sewage networks and wastewater treatment plants.
- Better quality wastewater.
- Policy to incentivise depollution measures implemented.
- Adoption of pollution charges.
- Institutions of the sector are more effective.
- Improved financing for the sector.
- Consolidation of sectoral reform.

(f) Specific conditions

The special conditions for this project are:

Sewerage:

- Tariff-charging methods and levels are formalised.
- Continued government investment in the national sewerage programme.
- Cooperation between MATEE, the waterbasin agencies, local authorities and ONEP put on formal footing.
- Development of skills in terms of design, construction and management of wastewater treatment plants.

- Efforts to find balance between the coercive effect of pollution charging and incentive effect of financial aid.

Budget/year of commitment
€35 million/2009

NIP COMMITMENTS FOR 2007-2010

STRATEGIC PRIORITY/ PROGRAMME	Reference to Action Plan	€ m	COMMITMENT				% € m
			200 7	200 8	200 9	201 0	
<u>Social</u> 1. NHDI 2. Education Literacy 3. Education 4. Aid for sickness insurance 5. Health	Point 2.6	60 17 93 40 86	60 17 40	50	39	54 36	
Total		29 6					45,26%
<u>Governance</u> <u>Human rights</u> 1. Support for the Ministry of Justice 2. Human rights	Points 2.1 and 2.4	20 8		20 8			
Total		28					4,28%
<u>Institutional support</u> 1. Government reform (2) 2. Action Plan Support Programme (PAPA)	Point 2.3	20 20	20	10		10	
Total		40					6,12%
<u>Economy</u> 1. Private sector 2. Vocational training 3. Agriculture 4. Ring road 5. Opening up isolated areas 6. Energy sector	Point 2.2	60 50 40 25 25 40	25	20 40	40 50	40 25	
Total		24 0					36,70%
<u>Environment</u> 1. Fund for cleaning up industrial pollution (FODEP) 2. Sewage treatment	Point 2.5	15 35		15	35		
Total		50					7,65%
TOTAL FOR 2007-2010 PROGRAMME		65 4	162	163	164	165	100,00%