

2018

MOROCCO

Structural transformation,
employment, production
and society

STEPS



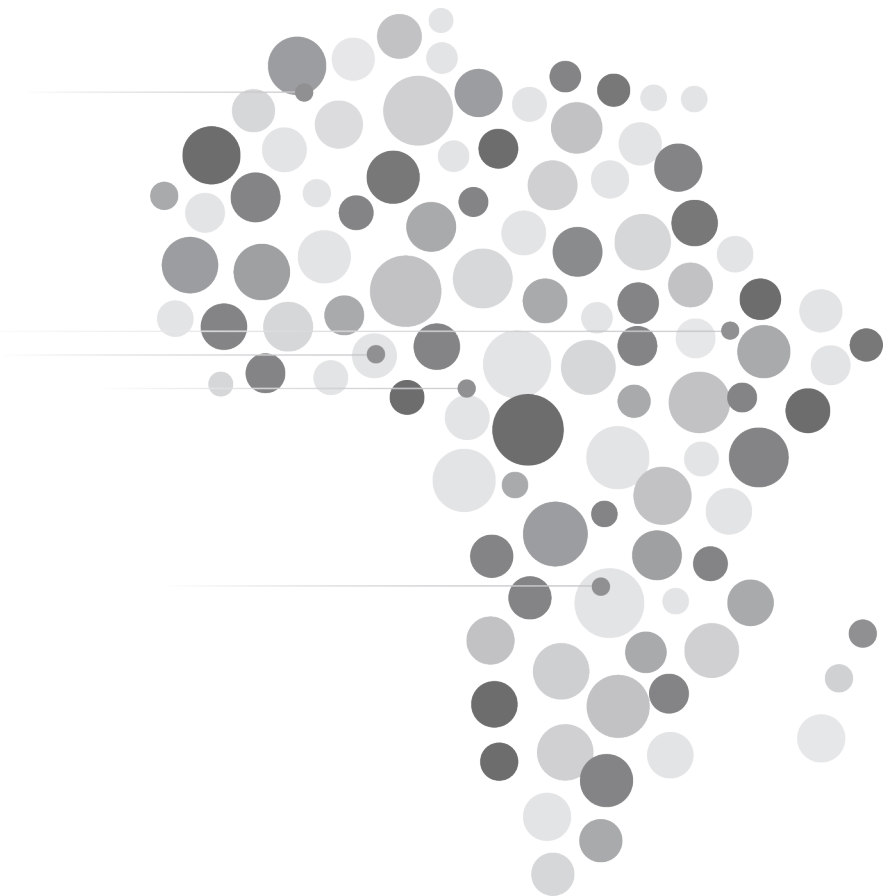
United Nations
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2018

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Content

Acknowledgements	viii
1. Overview	1
Production	1
Employment	2
Society	2
2. Context	3
3. Productivity	7
3.1 Diversification	7
3.2 Links	10
3.3. Technology	14
3.4 Summary	17
4. Employment	18
4.1 Productivity	18
4.2 Decent work	21
4.3 Education and skills	23
4.4 Summary	26
5. Society	27
5.1 Demography	27
5.2 Health	30
5.3 Poverty and inequality	32
5.4 Summary	35
6. Key messages	36
References	38

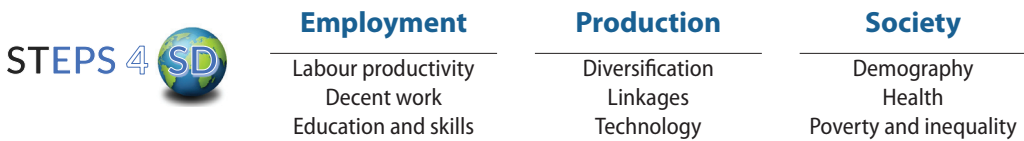
Definition of structural transformation

The Economic Commission for Africa defines structural transformation as the fundamental changes in economic and social structures that foster equitable and sustainable development. This definition gives rise to three key questions:

- a. What is structural transformation? It is a fundamental and multidimensional process observed in all countries that have achieved high levels of development;
- b. How is it achieved? Through profound economic and social transformation, including economic diversification and technological modernization, the creation of decent, high-productivity jobs and equitable social development;
- c. Why does it matter? It is crucial for implementation of the 2030 Agenda for Sustainable Development and Agenda 2063: The Africa We Want.

The core objective of accelerating structural transformation (ST) has three intrinsic dimensions that need to be assessed: employment (E), production (P), and society (S). This concept is a direct reflection of the need for profound transformation of economic and social structures, with employment playing a key role in establishing a two-way link between economic growth (production) and social development (society). It is useful to bear in mind the ultimate objective of the analytical framework, which is to achieve inclusive and sustainable development through accelerated structural transformation. Structural transformation, employment, production and society for sustainable development (STEPS 4 SD) is therefore the framework that shapes the design and implementation of the profiles (see figures I and II).

Figure I: Structural transformation, employment, production and society for sustainable development (STEPS 4 SD)



Each of the three dimensions considered has three outcome areas that are crucial for accelerating structural transformation. For production, the emphasis is on (supporting) diversification, (strengthening) inter-industrial linkages and (modernizing) technology. For employment, the focus is on (increasing) labour productivity, (promoting) decent work and (enhancing) education and skills. For society, the emphasis is on (managing) demography,

* The terms "structural transformation" and "structural change" are often used interchangeably. Narrow definitions are centred on the measurement of the economic gains accrued by shifting labour from lower-productivity to higher-productivity sectors, while broader definitions go beyond shifts in economic structures, such as production and employment, by also encompassing within-sector productivity improvements and changes in other aspects of society. For the purposes of the present document, the use of structural change is avoided and a broad perspective, as described by the STEPS framework, is adopted.

(improving) health and (reducing) poverty and inequality. For each outcome area, there is a set of core outcome indicators (see figure II). They illustrate the expected results (outputs) that should accelerate structural transformation. These are supplemented by other metrics concerning the particular outcome area. As structural transformation is a gradual process, indicators are tracked over a long period: from 20 to 25 years, whenever possible. A rationale for each outcome area is outlined below.

Diversification

Economic diversification is a key feature of countries that have achieved high levels of development. Highly concentrated economic structures undermine structural transformation by promoting rent-seeking (in mining) and commodity traps (in agriculture). They are also typically associated with high vulnerability to price and demand shocks. Expanding the range of goods and services produced and exported, especially towards higher value addition, is therefore an important factor in structural transformation.

Linkages

Greater integration into the global economy can contribute to increased value addition and productivity growth, especially through participation in global value chains. A more interconnected economy, with strong backward and forward linkages throughout sectors and companies, can also help to overcome critical structural constraints, sustain economic gains and encourage innovation.

Technology

Technological progress is a catalyst for structural transformation. The creation, adoption and improvement of technologies helps to increase productivity and establish value addition in production processes. It can be supported by developing domestic technological capabilities and/or by importing foreign technologies, such as those embedded in foreign investment.

Labour productivity

Labour productivity lies at the heart of structural transformation. In fact, the academic literature often defines structural transformation as the economic gains made by reallocating labour from lower-productivity to higher-productivity sectors, also known as between-sector effects, as opposed to productivity gains within a single sector. Positive employment arrangements are therefore needed to generate these benefits. Labour productivity depends not only on workers' skills and health, but also on technology and other company-related characteristics. It is therefore central to this framework. Crucially, improvements in labour productivity are required to enable economic (and household income) growth and thus help to raise living standards.

Decent work

Decent work means jobs that provide reasonable levels of pay, security and safety. Unstable working conditions, low pay and job insecurity in particular, are a major obstacle to raising living

standards and often undermine labour productivity. The creation of decent job opportunities is an essential factor in bringing about positive structural transformation, as economic and social structures can change in ways that do not always promote sustainable development.

Education and skills

Accelerated structural transformation requires an educated and skilled workforce. Formal and informal education systems offer a whole range of skills for work and life. In particular, improved skills levels facilitate the reallocation of labour towards high-productivity sectors. It is vital to improve demand-driven work-related skills in order to fill skills gaps and bring the supply of skills into line with demand.

Demography

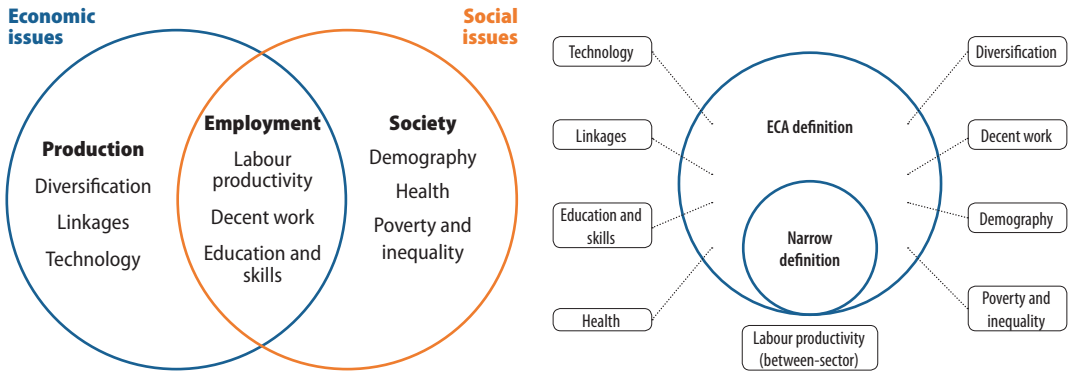
Demographic change can stimulate structural transformation through its considerable impact on the economy and society. For example, changes in the age composition of the population can generate a significant demographic dividend by easing the economic burden on the working population. Urbanization and migration can also produce significant economic benefits, although they may entail significant costs if mismanaged.

Health

A healthy workforce is essential for developing human capital and enhancing structural transformation. A high prevalence of diseases and other medical conditions undermines economic activity and labour productivity, especially through its impact on physical and emotional well-being.

Poverty and inequality

Poverty often undermines access to nutritious food, health care, education and jobs and this, in turn, leads to malnutrition, a high disease burden, low skills and underemployment. Moreover, inequality contributes to economic, social and political instability, which curtails economic growth. Poverty and inequality can therefore prevent people from fully contributing to the transformation of economic and social structures.

Figure II: Economic and social issues relating to structural transformation

Data considerations/implications

When data was compiled for the profiles, preference was given to official national sources, such as national statistics offices, central banks and government ministries. It should be noted, however, that the use of different terminology, methodology and classification systems means that data collected from national sources may not be comparable between countries. International sources were therefore used whenever national data were unavailable or there was a need to contextualize the analysis with comparisons between countries. It is essential to use harmonized data from international sources, such as those produced by many United Nations agencies, to enable consistent comparisons between countries. Whenever feasible and relevant, data have been disaggregated by age, gender and place of residence. As structural transformation is a gradual process, the analysis tracks changes over a relatively long period, usually by contrasting values or averages for the periods 1990-1999 and 2000-2009 with those for 2010 onwards.

Acknowledgements

The main objective of structural transformation, employment, production and society (STEPS) profiles is to produce country-specific data analysis and policy recommendations for structural transformation that will promote sustainable development. They are produced by the subregional offices of the Economic Commission for Africa (ECA), with input from the African Centre for Statistics, the Macroeconomic Policy Division, the Regional Integration and Trade Division, the Social Development and Policy Division, and the Special Initiatives Division.

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1



Overview

Despite a difficult international and regional context, Morocco has in recent years succeeded in maintaining a significant level of economic growth. It has benefited from a stable political and security situation, sound macroeconomic management and sectoral policies that have triggered a slow but steady process of structural transformation. The resilience of the national economy to rainfall has improved considerably. Health and education investments need to be maintained and strengthened in order to take advantage of current demographic processes.

Production

The structural transformation of the Moroccan economy is slow and takes the form of a shift from an agricultural economy to a service economy without passing through the intermediate stage of industrialization. The Moroccan manufacturing sector is experiencing a dual internal process of a decline of traditional industries such as textiles and leather that is not compensated for by the emergence of new industries such as the mechanical, metallurgical and electricity industries. The development of these sectors of industrial activity does not yet make up for the decline in traditional activities, despite national efforts to support industrialization through the “new global professions” development policy. Analyses of the product space and the technological content of Moroccan exports confirm the emergence of these new products and their potential to promote more substantial industrial development.

Moreover, the economic growth of the country is mainly driven by domestic demand. The trade balance of Morocco is structurally in deficit and suffers from the low level of diversification and competitiveness of its export product range on the global market. The internal dynamics of the industrial sector referred to above are the main reason for this. Automotive sales, which have ousted phosphates as the largest export, are an outcome of the industrial policy of the country and indicate the potential for transformation of the Moroccan productive apparatus.

Employment

In addition to the yield of physical capital, the structural transformation of the country necessarily involves improvement of its human capital. The deficits recorded in terms of education, in particular secondary education and the education of rural girls, and health, especially those affecting non-communicable diseases, limit the ability of the country to take advantage of the youthfulness of its workforce. Better and greater investment in the workforce would improve productivity, especially in the non-agricultural sector where apparent labour productivity has been in decline since 2012, reaching 0.4 per cent of growth at the end of 2015. The situation of the industrial sector is especially significant: while the capital intensity of the sector, measured by available capital per worker, increased by 4.9 per cent on average between 1999 and 2014, the value added per worker fell by 0.8 per cent per year.

Society

Morocco currently enjoys a “demographic window” consisting of a fall in fertility and the arrival on the labour market of better qualified young women and men, which should reduce public spending on basic social services and allow maximum exploitation of the productive capacities of the country. In order for this to happen, however, the challenges of secondary education leading to a qualification and the creation of decent jobs have to be met and high youth unemployment tackled.

The progress made in combating poverty in all its aspects is to be commended and should target the pockets of resistance in certain rural areas by leveraging the education of rural girls.

Generally, Morocco has initiated a structural transformation of its economy by introducing the necessary productive processes, including by targeting all the industrial sectors known as the “global professions”, the development of which is evidence of a slow but steady integration of the national economy in global value chains. Nonetheless, despite significant investment in education and health, the country needs to strengthen the capacities of its human capital to make it the driving force and beneficiary of inclusive structural transformation.

2



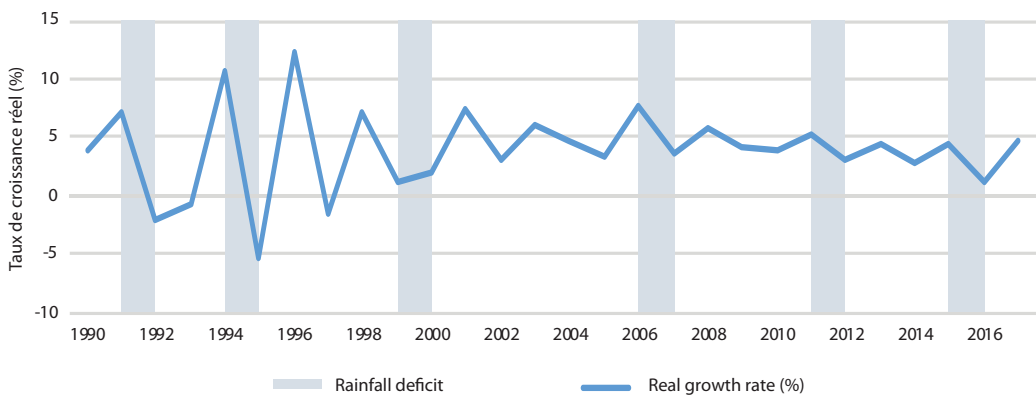
Context

Morocco, a country in North Africa with an Atlantic and Mediterranean coastline, has a long history built upon the interaction of Berber, Arab and European influences. Its population of 34 million (2014 census) is essentially Muslim.

The fifth largest economy in Africa¹ and the third largest in the region after Egypt and Algeria, the country has a per capita income of \$2,833 (2016), which places it in the lower band of middle-income countries.

Morocco is stable politically and in terms of security and has put in place an institutional framework that is attractive to investment and conducive to doing business. The quality of its human capital has made tangible progress as a result of improved availability of and access to basic social services. Persistent challenges nonetheless remain, especially a lack of facilities in rural areas. The macroeconomic reforms the country has put in place, accompanied by a multitude of sectoral strategies, have improved the economic resilience of the country, although job creation, especially for the young, is still a major challenge.

Figure 1: Economic growth and rainfall deficit



Source: International Monetary Fund (IMF) (2017)

¹ In terms of nominal GDP in dollars (World Bank, 2017).

Morocco does not have a single national development framework, but a plethora of sectoral strategies with varying objectives and timelines.

The **Industrial Acceleration Plan 2014-2020**: The Industrial Acceleration Plan follows the Emergency Plan and aims to make industry a major driver of growth.

The new industrial strategy assigns to the sector the following general objectives to be achieved by 2020:

- The creation of half a million jobs, half of them from foreign direct investment (FDI) and half from an overhaul of the industrial fabric;
- A nine-point increase in the share of industry in gross domestic product (GDP), taking it from 14 to 23 per cent by 2020.

The **Green Morocco Plan**: The strategy of the Green Morocco Plan concerns the agriculture and agro-industrial sectors. These sectors play a decisive role in the macroeconomic balance of the country since they carry a very large social burden. The objective of this plan is, first, efficient agriculture through a new wave of private investment organized around new fair aggregation models, and, second, to develop an approach directed towards fighting poverty by significantly increasing the agricultural income of the most vulnerable farmers, especially in outlying areas.

Vision 2020 for development of the tourism sector: The commitment of Vision 2020 is to continue to make tourism a driver of development in Morocco. The precise objective is to make Morocco one of the 20 most visited destinations in the world by 2020 by doubling the size of the sector and accommodation capacity, with the creation of 200,000 further beds. This new capacity should make it possible to double tourist arrivals: the aim is to create 470,000 new direct jobs and that tourist revenue should reach 140 billion dirhams (DH) by 2020. Vision 2020 also includes the promotion of domestic tourism.

The **Moroccan Solar Plan**: The Moroccan Solar Plan was launched in 2009 and is part of a far more ambitious programme on the energy strategy of Morocco, which is based on the use of renewable energy. The use of the considerable potential in this regard will enable the country to cover a substantial proportion of its energy needs, and reduce its energy dependency and its greenhouse gas emissions.

The Moroccan Solar Plan is to be implemented on five sites: Ouarzazate, Ain Bni Mathar, Foum Al Oued, Boujdour and Sebkhah Tah. The aim is to reduce the energy dependency of Morocco and preserve the environment by limiting greenhouse gas emissions.

The national plan is supplemented by other sectoral strategies that target marine fishing, crafts and logistics, among others.

The political and security stability of Morocco is accompanied by remarkable macroeconomic stability. Despite the effects of the economic slowdown recorded by its main economic partners and the uprisings in the subregion, the country has managed to maintain a relatively high level of economic growth. It has put in place a sound macroeconomic policy that has helped to reduce internal and external vulnerabilities and to consolidate its fiscal and financial framework, including by reforming the subsidies system.

It has also succeeded in making the efforts needed to improve the business environment, particularly to the benefit of small and medium enterprises by facilitating their access to finance, and to strengthen the good governance and supervision of public enterprises. The volatility of global financial markets and global energy prices are the main threats to this macroeconomic stability.

In addition, in order to reduce the effects of external crises on the national economy, Morocco recently reformed its exchange rate regime by introducing a flexibility mechanism that allows some fluctuation of the national currency.

Morocco has put in place many economic, legal and institutional reforms to make its economy more attractive to investment. These reforms, accompanied by promotional actions directed at foreign capital, have resulted in a considerable increase in foreign direct investment flows to the country.

Stimulated in the 1990s by the privatization programme and foreign debt conversion operations, foreign investment in Morocco in recent years (2010-2016) shows that the attractiveness of the country is now independent of the international economic situation and of privatizations.

In order to exploit its potential fully, Morocco needs to complete the reform process begun three decades ago, in particular by tackling the field of justice.

The new Constitution of 2011 enshrines sustainable development as one of “the fundamental freedoms and rights” of citizens. It thus confirms the commitment made by the country to sustainable development, which has found expression in several initiatives, such as the National Environment and Sustainable Development Charter, now the national reference for sustainable development policies. The preparation of the National Sustainable Development Strategy 2016-2030, adopted in 2017, is a product of these two reference frameworks.

The geographic situation of Morocco in the extreme north-west of Africa places it under the influence of the Mediterranean climate, which varies with the geography of the country,

characterized by great natural vulnerability to climate change, desertification (93 per cent of land is affected) and water stress (less than 700m³ per capita).

In the framework of the Paris Agreement on climate, the country prepared its Nationally Determined Contribution, which aims to reduce greenhouse gas emissions and develop adaptive measures in priority sectors (agriculture, water, forests, tourism and health). It has also started to prepare a National Adaptation Plan.

The integrated programme of natural disaster risk management, the national biodiversity promotion strategy and the strategy to combat desertification supplement the strategic national plan to protect natural resources and promote environmental sustainability.

Regarding regional integration, Morocco is a founding member of the Arab Maghreb Union (AMU) and hosts the headquarters of its general secretariat. The Maghreb area is essentially a natural economic area. It also has most of the structural factors of a vibrant integrated market, with an average nominal GDP of around \$5,000 per capita, continuity of the physical space and a good level of transport infrastructure. Empirical data show, however, that trade between AMU countries is well below its potential. In other words, the existence of most of these determinants has not been a sufficient condition to place inter-State trade at its optimum level.

Intraregional trade accounted for only 5 per cent of the total trade flows of the countries concerned in 2014. This rate, far below the African average (12 per cent), shows the still marginal nature of intra-Maghreb trade. Several factors combine to explain this situation and have interacting effects. These include the fragmentation of economies. The indicator developed by the United Nations Conference on Trade and Development (UNCTAD) on the productive integration of regional trade shows this, giving the North African countries the lowest scores on the continent.

Moreover, after its return to the African Union in 2017, following a 33-year absence after its withdrawal in 1984, Morocco applied to join the Economic Community of West African States (ECOWAS) the same year. The ECOWAS Conference of Heads of State and Government has set up a committee to study its application. The country hopes to take advantage of historical economic and cultural ties with the member States in order to belong to a market of 300 million inhabitants with a GDP of \$750 billion.

3



Productivity

3.1 Diversification

Encouraging results for the transformation of the agricultural sector and a manufacturing sector undergoing transformation. Development of the primary sector, dominated by agricultural activities, is strongly dependent on rainfall and therefore develops erratically according to the quality of the agricultural campaign. Years of drought, such as 2012 and 2016 in Morocco, strongly impact agricultural production and negatively affect national value added. In order to mitigate this dependence on rainfall, the country has put in place an agricultural development strategy, the Green Morocco Plan, which aims to promote activities with high value added such as forestry, market gardening and olive growing, and to reduce the proportion of low productivity activities such as animal husbandry and cereals.

While it is too early to measure the effect of the Green Morocco Plan, especially regarding its goal of reducing fluctuations in agricultural value added over the years, thus ensuring that there is less volatility, the Ministry of Agriculture has reported promising results. In 2016, Morocco experienced the most severe rainfall deficit for 30 years, causing a 70 per cent drop in cereal production compared with 2015 and a 52 per cent reduction compared with an average year. The Green Morocco Plan seems to be playing an important role in mitigating the effects on the sector of such a drop compared with the periods of drought in the 1990s and early 2000s for which similar campaigns caused falls in agricultural value added of 20 per cent in 2007 and 41 per cent in 1995, while the contraction in value added in 2016 was only 12.8 per cent. The progress made by the Green Morocco Plan has resulted in an investment effort to modernize the sector and more widespread use of fertilizers and selected seeds, accompanied by diversification of agricultural production towards crops with higher value added and that are more resistant to rainfall deficit.

While the Moroccan economy is still dependent on cereal production, which is highly dependent on rainfall, the country has not experienced a recession since 1998. The Green Morocco Plan has reduced the volatility of growth in agricultural value added, without eliminating it completely.

The secondary sector, 60 per cent of which consists of transformative industries, is undergoing steady positive change, with the exception of the extractive industries that make up between 8 and 15 per cent of the sector, depending on the year, and are reliant on global demand. In 2009, the precipitate fall in sales of phosphates and their derivatives, the main mined resource of the country, following the global financial crisis alone explains the fall in the growth rate of the secondary sector recorded that year.

Their ripple effect on other sectors, their effect of disseminating knowledge and skills and their impact on employment mean that transformative industries play a central role in structural transformation policies. In Morocco, transformative industries accounted for only 15.91 per cent of the value added produced in 2016. The structural transformation of the country therefore requires a move from an agricultural economy to an economy whose vitality is ensured by the tertiary sector to the detriment of industrialization.

The different activities in the transformative industries are undergoing various changes. The Moroccan economy is in fact experiencing a dual internal process characterized by the decline of traditional industries such as textiles and leather and the emergence of new ones such as the mechanical, metallurgical and electricity industries. The relatively high growth of the agrifood, chemical and parachechemical industries also helps to make up for the decline of traditional activities.

Nonetheless, the development of new sectors of industrial activity does not yet compensate for the decline in traditional activities, in spite of national efforts to support industrialization through the policy to develop the “new global professions”.

The tertiary sector contributes steadily to the development of national value added. The drivers of the sector are public administration, trade, financial services and real estate, and business services.

A development model driven by domestic demand that needs to be reviewed. Despite achieving a high level of investment, recent analyses point to the problem of the quality of investment to question the weak correlation between investment and value creation in Morocco, and its impact on job creation. Investment efforts do not seem to bear the expected fruit (see Office of the High Commissioner for Planning, *Étude sur le rendement du capital physique au Maroc*, 2016).

With regard to foreign trade, the country has a structural trade deficit the scale of which is mainly dictated by changes in imports themselves, largely determined by the prices of hydrocarbons, of which Morocco is a net importer. Exports represented 33.51 per cent of GDP in 2016, as against 34.57 per cent in 2007. Moroccan exports have developed at an average annual rate lower than that of the national economy, i.e. 3.54 per cent over the period in question.

The development of investment and exports, combined with the relatively large weight of final household consumption in GDP, indicate that the economic growth profile of the country is driven mainly by the domestic market and not by external demand. The export product range of the country suffers from poor competitiveness, which prevents it playing its role as a catalyst of development.

Despite a relatively diversified export product range, the country suffers from a lack of competitiveness on the international market. Morocco, along with Egypt and Tunisia, are the countries with the most dynamic export product range in North Africa, but this dynamism has to be put into perspective by analysing the degree of concentration and diversification of its export product range.

In 2015, Morocco had a score of 0.163 on the Herfindahl-Hirschmann Index,² close to the scores of Tunisia and Egypt. The country had barely improved its score over the previous 20 years, however, since its current level corresponds to the score recorded in 1995, which was 0.165. Its more dynamic neighbours, Tunisia and Egypt, improved steadily, from scores of 0.212 and 0.302 respectively in 1995, much higher than that of Morocco, to scores of 0.141 and 0.14 in 2015.

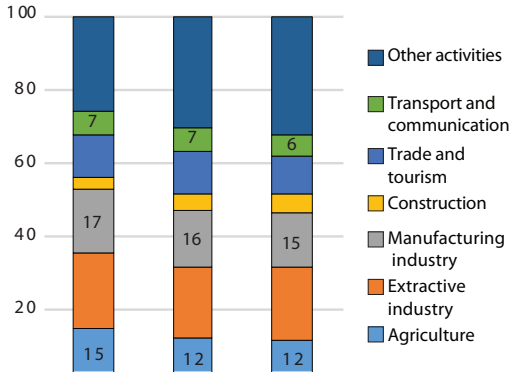
The stagnation of the level of concentration of the export products of the country and the results achieved by comparable economies show the potential for improvement upon which national policies need to capitalize.

An analysis of the trading partners of Morocco shows a strong concentration of its exports to certain countries, despite some slight diversification in recent years. At 68 per cent, the share of the ten largest customers of the Kingdom was very substantial during the period 2007-2014, despite a 10-point fall from its level in 2000-2007, when it was 78 per cent.

Europe is traditionally the largest customer of Morocco. In 2015, the European Union accounted for 63.7 per cent of Moroccan exports. It is also its largest supplier, with a market share of 53.4 per cent. In 2015, Spain, the largest customer and supplier of Morocco, had a market share of 14.4 per cent, followed by France with 12.4 per cent. These two largest partners were followed by Italy, India and the United States of America with regard to customers, and by China, the United States and Germany with regard to suppliers.

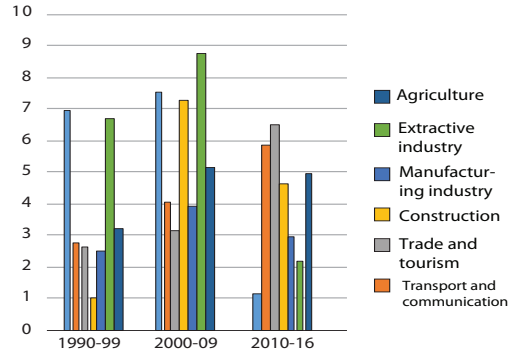
² A value close to 1 indicates a high degree of concentration on a few products. A value close to zero indicates a more homogeneous concentration on a series of products.

Figure 2: Composition of gross value added (%)



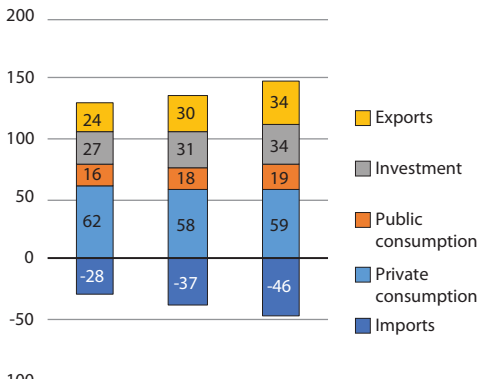
Source: UNCTAD (2017).

Figure 3: Sectoral growth, main sectors (% average)



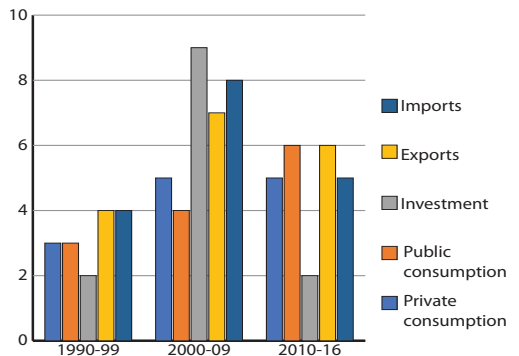
Source: UNCTAD (2017).

Figure 4: Composition of GDP (%)



Source: United Nations Statistics Division (2017).

Figure 5: Growth of spending (% average)



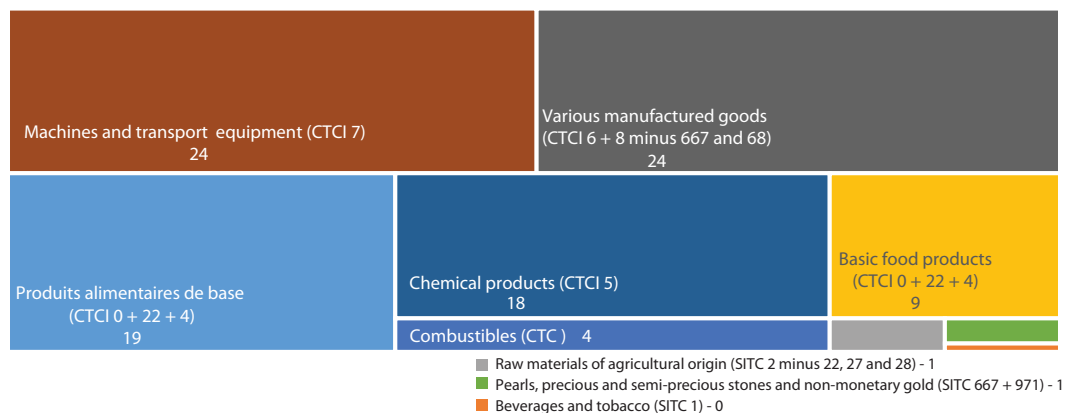
Source: United Nations Statistics Division (2017).

3.2 Links

Trade in intermediate goods is relatively large, in 2015 accounting for 27.52 per cent of the exports of Morocco and 29.84 per cent of its imports. These figures confirm the relative integration of the national economy in global production circuits. The integration of the Moroccan economy in global and especially regional production circuits would allow exports of intermediate goods to be promoted. The example of the development of the automotive, aeronautical and electricity industries, which led integration in global value chains, could be extended to other sectors of activity.

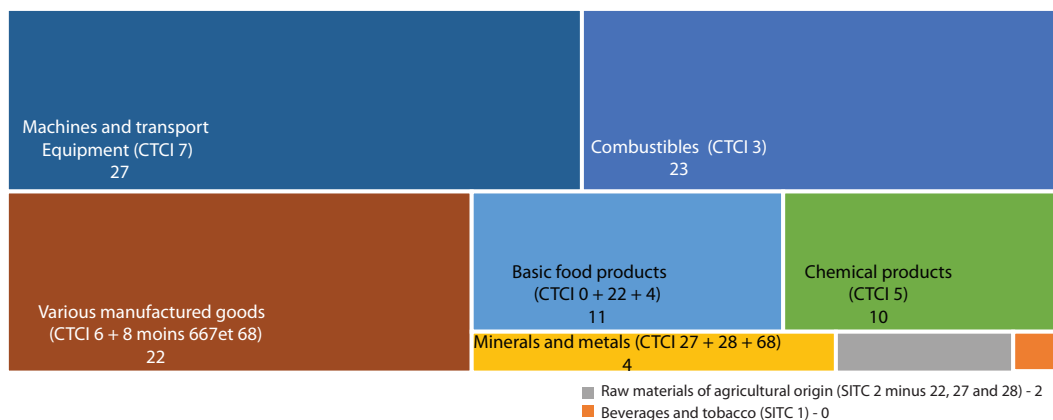
After recently becoming part of certain global value chains with a strong technological content, the country wishes to improve its integration rate. The share of domestic value added in exports is often used as an additional indicator to measure the degree of integration of an economy in global value chains.

Figure 6: Exports of goods (2010-2016, %)



Source: UNCTAD (2017).

Figure 7: Imports of goods (2010-2016, %)



Source: UNCTAD (2017).

The Industrial Acceleration Plan

Realizing the importance of the role of industrialization in reducing the chronic deficits in the trade balance and, as a knock-on effect, currency reserves, and also in confronting development challenges, particularly unemployment, in early 2014, the Moroccan authorities announced the launch of a new industrial strategy: the Industrial Acceleration Plan 2014-2020.

By 2020, the new strategy aims to create half a million jobs, half of which will come from foreign direct investment, and to increase the share of industry in GDP from 14 per cent in 2014 to 23 per cent. Both goals are ambitious, especially when it is remembered that the sector created only 75,000 jobs in the previous decade, and are dependent on proactive measures by the public authorities and significant efforts by private economic operators. The strategy, which contains some of the industrial policy recommendations suggested by the latest Economic Report on Africa, sets out three priorities:

Through the creation of “industrial ecosystems”, a more integrated industry that fosters collaboration between major national groups and small and medium enterprises – an agreement with OCP (a phosphates producing group) has already been signed along these lines – some form of national preference, integration of the informal sector and bringing skills into line with the needs of the sector;

Improved competitiveness of small and medium enterprises and, by working on innovation, improved quality of and access to financing. A public industrial investment fund will be given a budget of DH 20 billion (\$2.4 billion) to help the Moroccan industrial fabric move towards replacing imports; and

Opening up to international trade, especially to and with Africa. Improving the export product range, promoting foreign direct investment and regional value chains with African partners should improve the position of Morocco on external markets.

By combining the promotion of exports and other types of import substitution, Morocco hopes to increase its industrial product range on both the national and international markets. Promoting the competitiveness of small and medium enterprises plays a central role in this. The international dimension is represented by the importance of foreign direct investment, which it is planned will create half of the expected jobs (especially through Chinese delocalization) but above all by a will to involve African partners in partnerships and the creation of shared value added.

It is a very ambitious, not to say revolutionary, project in view of its six-year timeline. Several questions still have to be resolved, including the ripple effect that the ministry guiding this strategy can have on other national bodies responsible for implementation, and the involvement of the Moroccan productive fabric, which consists mainly of small and medium enterprises.

The share of domestic value added in exports in 2011 – around 75 per cent – is comparable to those achieved by Turkey and India, two large emerging economies with proven strong performances in the international market. The countries of south-east Asia, such as Singapore, South Korea, Taiwan and Thailand, whose economies are more open to global markets, naturally had weaker domestic shares, with scores around 60 per cent.

The industrial development to which the country aspires by relying on the “new global professions”, particularly the automotive and aeronautic industries, through the current industrial policy set out in the Industrial Acceleration Plan 2014-2020, should enable it to improve its position in the product space by joining global value chains. Moroccan Ministry of Industry estimates of the national integration rate of the automotive sector at around 30 per cent are evidence of the weakness of the industrial fabric of the country in terms of offering

significant production in the sector, despite the delocalization of part of the production of major global manufacturers. The Industrial Acceleration Plan aims to improve the national integration rate to 65 per cent by 2020, which would enable the country to root its production firmly in this global value chain.

Slow structural transformation is under way. The relatively slow process of industrial development of the country, particularly of manufacturing industry, can be explained by the positioning of its unsophisticated productive apparatus. In 2016, Morocco ranked 70th (of 89 countries) according to the economic complexity indicator (ECI). This indicator, which measures the level of knowledge and productive skills of countries by the sophistication of their exports and the diversification of the export structure per product, places the country among the countries of intermediate complexity, but quite close to the lower limit bordering the countries of little complexity.

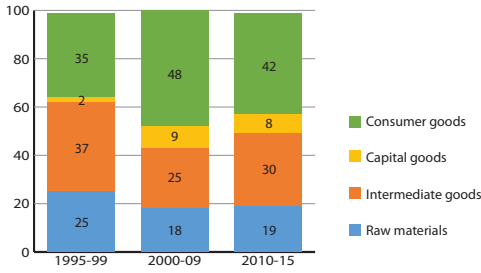
Moreover, the changes the country has made in the “product space” are limited and demonstrate slow structural transformation. The country is positioned mainly on unsophisticated products, such as textiles and agrifood, while its presence in products with high technological content is weak.

It should nonetheless be noted that, recently, Morocco has, especially through its new Industrial Acceleration Plan 2014-2020, succeeded in positioning itself on more sophisticated products such as cars and aeronautical products. The identification of other sectors, most of which are among the best performing on the global market, including chemicals and paracheicals, electronics, pharmaceuticals, electricity and renewable energy, as priority sectors of the Plan should enable the country to improve its score and presence in global value chains in the medium and long term.

Analysis of the product space confirms the major lesson of the duality of the Moroccan productive structure, divided between new industrial sectors that are competitive on the global market, such as cars, chemicals, paracheicals and electronics, and other traditional sectors in which the industrial value added is steadily declining, particularly textiles and clothing.

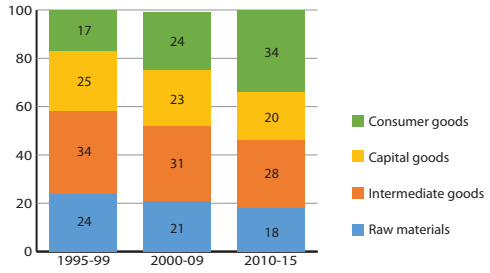
Thus, the textile and leather industries, which accounted for 16.05 per cent of the value added of transformative industries in 2007, accounted for only 10.55 per cent in 2016, while the “mechanical, metallurgical and electricity industry” went from a 23.19 per cent share in 2007 to 28.87 per cent in 2016. This two-speed development affects the performance of the entire industrial sector in terms of the integration of Morocco in global value chains.

Figure 8: Exports of goods by use (%)



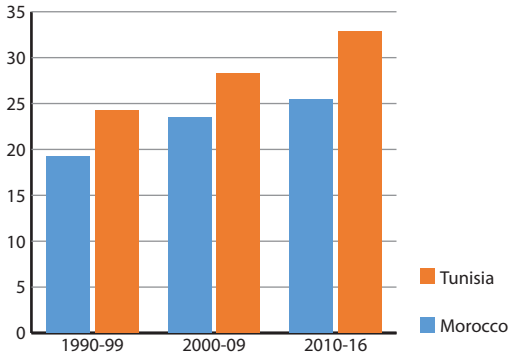
Source: UNCTAD (2017).

Figure 9: Imports of goods by use (%)



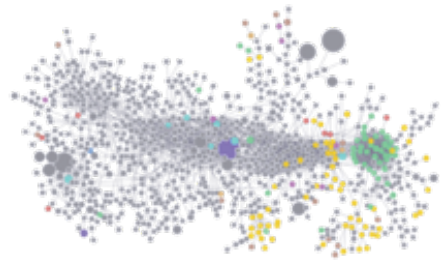
Source : UNCTAD (2017).

Figure 10: Share of foreign value added in exports (%)



Source: Organization for Economic Cooperation and Development (OECD) (2017).

Figure 11: Product space (exports, 2015)



Source: Observatory of Economic Complexity, MIT (2017).

3.3. Technology

The industrial sector benefits from an increasing share of foreign direct investment to the detriment of other traditionally popular sectors, such as banking and real estate. During the period 2009-2013, foreign direct investment in industry grew almost six-fold. Despite the 25 per cent fall in foreign direct investment in industry compared with 2014, the sector continued to attract a significant proportion of foreign direct investment in 2015 (18 per cent). The increasing strength of some industrial activities, such as agrifood, cars, aeronautics and electronics, has fostered large-scale operations.

For example, the investments by French car manufacturers – Renault in its factory in Tangier and Peugeot in Kenitra –, accompanied by their top suppliers, have boosted industrial investment in the sector. The presence of Boeing and Bombardier and their network of suppliers in the

aeronautics sector has also succeeded in attracting industrial foreign direct investment in high value added sectors.

Generally, the country has succeeded in making itself more attractive to foreign investors. Flows of foreign direct investment into Morocco have gone from an annual average of DH 20.9 billion between 2000 and 2007 to DH 32.6 billion during the period 2008-2015.

The productive apparatus of Morocco has access to an increasingly high technological level. The development of the share of intermediate and advanced technology manufactured value added (MVA) in total manufactured value added and in exports of manufactured goods is positive. In 2014, manufactured production using intermediate and advanced technologies accounted for 27.75 per cent of national manufactured value added, compared with 21.71 per cent in 1990. This development is all the more significant in relation to exports of manufactured goods in which the share of intermediate and advanced technologies was almost half in 2015, a sharp rise from 1990, when it accounted for only 23.33 per cent.

These changes show the increased access of the productive apparatus of the country to technologies facilitating its sophistication. The development since the 2000s referred to above of the duality of the Moroccan industrial apparatus characterized by the decline of traditional industrial activities in favour of the emergence of industries such as chemicals, aeronautics and cars is the main factor explaining this improved access to intermediate and advanced production technologies.

Significant but inadequate efforts to reduce CO₂ emissions. Compared with neighbouring North African countries, Morocco is within the regional average in terms of cutting carbon dioxide (CO₂) emissions per unit of value added. It has brought its emissions down from 0.3334 kg per unit in 1999 to 0.2356 kg in 2013, a reduction of almost 30 per cent over the period. This fall can be explained by a slowdown in the rate of growth (see the change in GDP during the period) and by the shift towards the tertiary sector in the economy as a whole (the tertiary sector having low CO₂ emissions). It may also be evidence of the efforts made to make growth more energy-efficient, energy still being dominated by fossil fuels (the prime source of CO₂ emissions).

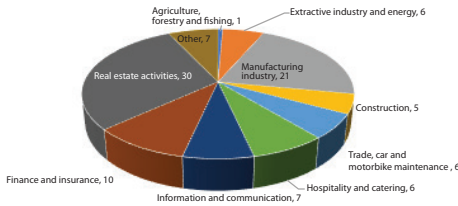
These gains are nonetheless modest compared with the global average, which is far better than the scores achieved by Morocco, and especially compared with the international objectives calling for a five-per-cent reduction per year per country. During the period concerned, Morocco achieved an average annual reduction of 2.45 per cent, half the global target.

In 2015, in the framework of the Paris Agreement, Morocco submitted its Nationally Determined Contribution with the target of reducing its CO₂ emissions by 17 per cent by 2030. The energy policy in place since 2009 contributes to this effort with the development of an ambitious renewable energy programme and an energy efficiency programme for the

sectors that consume most energy, such as transport and industry, the latter being responsible for nearly 20 per cent of total emissions of the country.

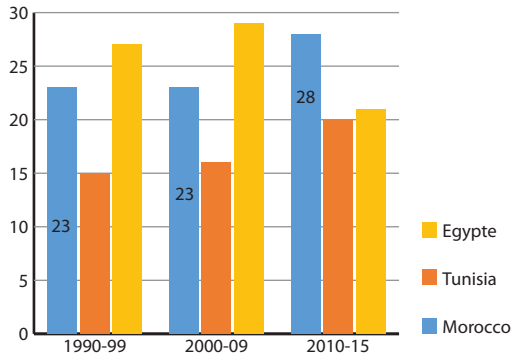
The shift to industrialization with greater value added as a result of using environmentally friendly technological solutions will be part of this specific effort and take place in the more general framework of implementation of the 2030 Agenda for Sustainable Development.

Figure 12: Foreign direct investment by sector (2010-2016, %)



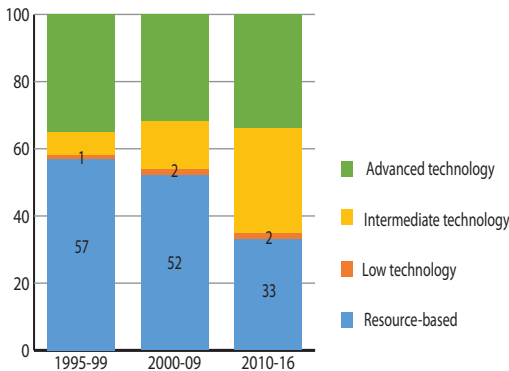
Source: Exchange Office (2017).

Figure 13: Intermediate and advanced technology in manufactured value added (%)



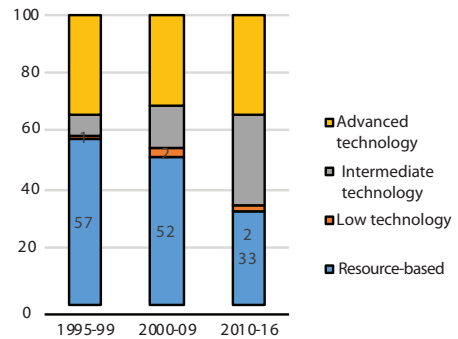
Source: Exchange Office (2017).

Figure 14: Energy intensity (MJ/unit of GDP)



Source: World Bank (2017).

Figure 15: Exports of manufactured goods by level of technology (%)



Source: UNCTAD (2017).

3.4 Summary

The structural transformation of the Moroccan economy is slow and takes the form of a shift from an agricultural economy to a service economy without passing through the historical intermediate phase of industrialization. The Moroccan manufacturing sector is experiencing a dual internal process consisting of a decline of traditional industries such as textiles and leather that is insufficiently compensated for by the emergence of new industries such as the mechanical, metallurgical and electricity industries. The development of these sectors of industrial activity does not yet compensate for the decline in traditional activities, despite national efforts to support industrialization through the development of the “new global professions”. Analyses of the product space and of the technological content of Moroccan exports confirm the emergence of these new products and their potential to promote more substantial industrial development.

Moreover, the economic growth of the country is mainly driven by domestic demand. The trade balance of Morocco is structurally in deficit and suffers from the low level of diversification and competitiveness of its export product range on the global market. The internal dynamics of the industrial sector referred to above are the main reason for this. Automotive sales, which have ousted phosphates as the largest export, are an outcome of the industrial policy of the country and indicate the potential for transformation of the Moroccan productive apparatus.

4



Employment

4.1 Productivity

Changes in employment patterns confirm the development of the service sector, while the achievements of the new industries do not yet make up for losses in the traditional industries. The distribution of employment by sector shows a slow but steady change, characterized by a decline in the share of agriculture, from 45.2 per cent in 2005 to 38 per cent in 2016, and a rise in the share of services, from 35.1 per cent to 40.8 per cent. The share of the industrial sector has remained constant at around 21 per cent over the period.

This points to a shift towards services in the Moroccan economy, the labour factor moving from the primary to the tertiary sector without the national economy undergoing industrialization. The current structural transformation is driven more by the development of sectors such as telecommunications and financial services (Achy, 2013) than by industrial development.

The Office of the High Commissioner for Planning (2017a) notes that, during the period 1999-2014, an annual average of 8,000 jobs were created in the agricultural sector, compared with an annual average of 6,000 jobs during the period 2008-2014. The industrial sector lost an average 4,000 jobs during the period 1999-2014 and 15,000 during the period 2008-2014. With an average of 89,000 jobs created during the whole period, services have made up for the losses in agriculture and industry.

Job creation in the sectors pivotal for the industrial policy of Morocco and that enjoy sustained support from the national authorities, in particular the automotive and aeronautics industries, are marginal at the national level and cannot for the moment play a role as catalysts of the industrial development to which the country aspires. This observation links up with the findings of the analysis of manufactured value added produced in the “Production” section of this report.

From the point of view of gender, an analysis of the development of the employed working age population brings out the considerable presence of women in low productivity

activities such as the primary sector and the traditional activities of the secondary sector. Because of this, women are vulnerable to insecurity and have relatively lower incomes.

Indeed, the majority of women work in the primary sector, where 60 per cent of employed women of working age worked in 2015, compared to only 31.6 per cent of men.

Furthermore, women are less present in the more productive activities of the industrial sector. In 2015, 190,000 women accounted for 31 per cent of all those employed in manufacturing.

An improvement in national productivity that masks significant sectoral disparities. Total factor productivity (TFP) rose by 1.7 per cent a year on average during the period 1999-2014, a clear improvement over the 1980s and 1990s, since it was zero throughout the period 1983-2000. Apparent labour productivity has also risen from 0.8 to almost 3.4 per cent per year on average in recent years.

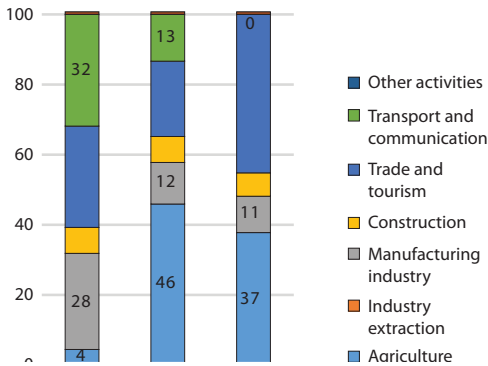
The sectoral distribution nonetheless shows quite large differences in momentum. The agricultural sector has the greatest potential for improved productivity and, through the transfer of jobs to other sectors, recorded a significant improvement in labour productivity averaging 9.2 per cent annually during the period 2008-2014. The support given by the Green Morocco Plan to non-cereal activities with higher value added seems to be supporting these gains in productivity.

Nonetheless, the transfer of a fair proportion of the labour pool of the primary sector, with almost 38 per cent of jobs in 2016, represents at once a major challenge to the national economy and a potential for improved productivity which can only take place through the absorption of agricultural underemployment by other industrial economic activities and the more productive activities in the services sector.

Similarly, the improvement of labour productivity in the industrial sector in 2008-2014 was almost zero, recording an average of only a meagre 0.1 per cent of growth per year throughout the period. This situation is explained by the fact that Morocco has a two-speed industrial sector, the components of which develop in opposite directions. First, segments of very vibrant activities are driven by leading enterprises that have taken advantage of the policy to open up the economy to build competitive export strategies. Second, the performance of a great many enterprises in the traditional sectors has declined since the mid-2000s, according to the data of the Office of the High Commissioner for Planning.

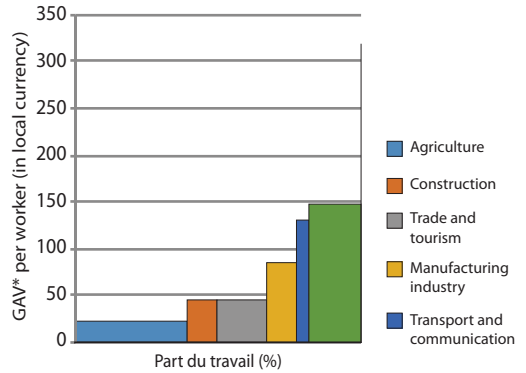
Regarding services, labour productivity has grown by an average 3.3 per cent a year. Because of this, across different sectors, the Moroccan economy has very productive activities such as the extractive industry, the financial and real estate sectors, electricity production and the food industry, and others that are far less productive and therefore offer significant potential

Figure 16: Employment by sector (%)



Source: Author's calculations.

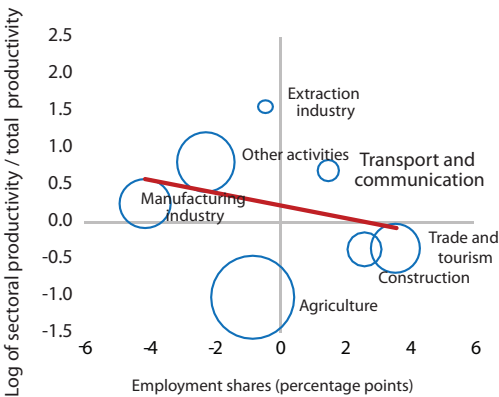
Figure 17: Share of labour and productivity (2015)



*Gross added value

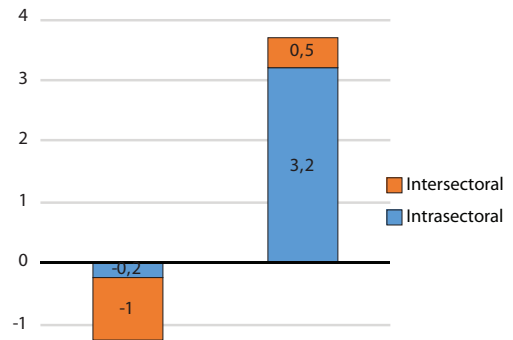
Source: Author's calculations.

Figure 18: Employment mobility (1994-2012)



Source: Author's calculations.

Figure 19: Increase in gross value added per worker



Source: Author's calculations.

for improvement, such as agriculture, the textile industry, construction and public works, trade and maintenance, hospitality and catering.

Professional mobility has almost no impact on productivity, which improves only as a result of internal factors. The analyses of the Organization for Economic Cooperation and Development (OECD), which are confirmed by the findings of other recent authors,³ show the importance of the structural changes taking place in some sectors to the detriment of social mobility. Thus, the increase in productivity since 2000 is mainly the result of intrasectoral

3 See in particular Achy (2013), Office of the High Commissioner for Planning (2016) and Abbad (2017).

factors, in others words of improvement within sectors. The intersectoral effect on overall productivity, which comes from worker mobility, remains limited.

Abbad (2016) estimates the predominance of the intrasectoral effect in the explanation of improved labour productivity at an average 82.7 per cent during the period 2000-2014, as against only 17.7 per cent for the intersectoral effect. The intersectoral effect is marginal. Analysis by sector of activity shows that labour force mobility takes place from the primary sector to the construction and tertiary sectors (mainly financial services, general administration and social services), as noted above. Industry has only a marginal intersectoral effect since its productivity gains are mainly the result of internal developments.

This reallocation of the labour force from the primary sector to less productive activities impedes the structural transformation of the national economy. The development of sophisticated sectors of activity, such as those connected with transformative industries, is dependent on the transfer of labour from less productive activities.

4.2 Decent work

A remarkable shift in status in employment. While self-employment dominated the distribution of employment on the Moroccan labour market in the early 2000s, reaching almost two thirds in 2000, it lost ground during the period 2000 to 2017. Employed status gained ground to account for 46.14 per cent of workers in 2017, compared to 36.34 per cent in 2000. This change is explained by the transformation of economic structures, with a trend towards the availability of more jobs.

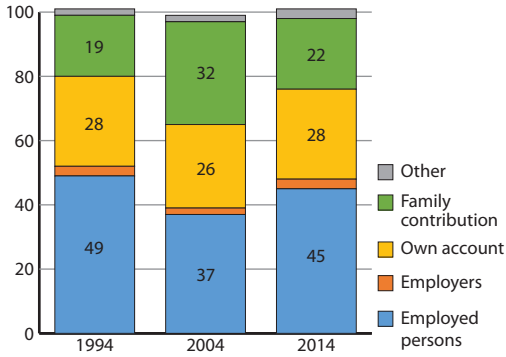
Within this employed category, a radical transformation took place during the period in the shape of the steep fall in the share of “family workers in a family business” and the steady rise of “own-account workers”. These shares went from a little over 35 per cent and 26 per cent respectively at the beginning of the period to 22 per cent and 28 per cent in 2017. This reflects a development of the individual business spirit, which corresponds to demographic developments characterized by a reduction in household size.

The share of “family workers in a family business” is still large. It should, however, continue to shrink in line with trends in countries with more developed economic structures.

Ever higher underemployment. The rate of underemployment went from 9.2 per cent in 2012 to 11.3 per cent in 2016, i.e. more than 1,207,000 individuals. Rural areas suffer more from this than cities because of the nature of agricultural employment. Underemployment also affects men more than women, with respective rates of 13.1 per cent and 6.2 per cent.

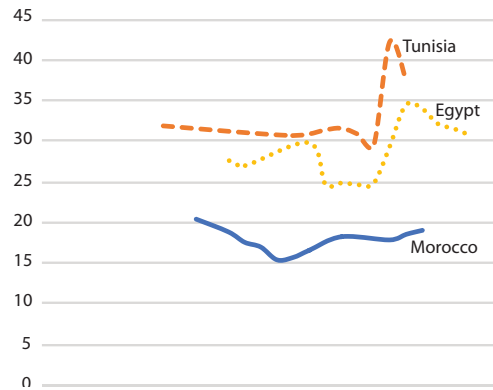
Construction and public works, and agriculture, are the main sectors affected by underemployment, with rates of 18.5 per cent and 11.6 per cent respectively.

Figure 20: Status in employment (%)



Source: International Labour Organization (ILO) (2017).

Figure 21: Youth unemployment rate (%)



Source: ILO (2017).

The typical underemployed person of working age is male (86 per cent), lives in a rural area (53.7 per cent), young, no older than 30 (15-29 years) (38.8 per cent), and 42.5 per cent have a qualification (9.9 per cent a higher education qualification).

Unemployment in Morocco is primarily youth unemployment. Nationally, almost 64.8 per cent of unemployed persons are aged 15 to 29 (65.2 per cent of men and 63.9 per cent of women).

In 2016, the national unemployment rate fell from 9.7 per cent the previous year to 9.4 per cent. Conversely, in the 15 to 24 age group, unemployment rose by 1.7 points (two points in urban and one point in rural areas), with 392,000 unemployed nationally, 283,000 in urban areas and 109,000 in rural areas, making a national rate of 22.5 per cent.

Furthermore, the unemployment rate of young persons with qualifications is high, at 16.9 per cent, compared with a rate of 3.8 per cent for those without qualifications. The mismatch between training and employment and the lack of jobs available for persons with qualifications are the reasons for this.

Unemployment also affects women more than men, with respective national rates of 10.9 per cent and 8.9 per cent. The differences are still greater in certain environments, in particular in urban areas, where female unemployment is 22.1 per cent, as against 11.7 per cent male unemployment.

Taking a broader spectrum than unemployment, it should be noted that the young suffer particularly from vulnerability, which is characterized by their exclusion from education, training and employment networks. Almost one person in four aged between 15 and 24

(1,685,000 persons) is not in work, education or training. This proportion reaches 44 per cent among young women (1,319,000), while it is 11.7 per cent among young men (366,000).

Among those of secondary school age leading to a qualification (15-17 years), this proportion is 14.2 per cent (300,000). Here too, the gender factor penalizes girls since the ratio is 24.6 per cent of girls (243,000) and 5.1 per cent of boys (58,000). Among 18 to 24-year-olds, the proportion is 34.6 per cent (1,385,000), 53.5 per cent of girls (1,077,000) and 15.5 per cent of boys (308,000).

The issue of unemployment, particularly of young women and young men, is of crucial importance for the development of the country because of its structural character and its impact on the political stability of the country, as recent events and the experiences of neighbouring countries show. The impact of public policies on reducing youth unemployment should systematically be taken into account in their conception and follow-up during implementation; therefore sectoral policy instruments, and particularly those of the Industrial Acceleration Plan, should be evaluated in terms of their contribution to job creation.

4.3 Education and skills

Universal youth literacy is assured. Apart from Mauritania and the Sudan, which in 2015 had youth literacy rates for the 15-24 age group of 62 and 70 per cent respectively, the other countries of the North African subregion have achieved almost universal literacy for this age group, with rates above 95 per cent.

In Morocco, the rate of 90 per cent in 2014 was the result of remarkable development, since it had been only 58 per cent in 1994. The country had gained more than 32 percentage points in 20 years, the best performance in the subregion during that period. This development was much greater for girls, for whom the rate rose from 46 to 85.9 per cent during the period, as against from 71 to 94.1 per cent for boys.

While quite a large proportion of the population is illiterate – 32 per cent of the total population, corresponding to more than eight million persons in 2014 –, a small fraction is aged between 15 and 25. The efforts of the National Anti-Illiteracy Agency, which gives priority to the young, especially in rural and semi-urban areas, combined with the progress made by the formal education system have resulted in progress towards the objective of universal youth literacy.

Nonetheless, cultural practices and attitudes, especially in rural areas, combined with poor living conditions, hamper the access of girls in rural areas to literacy and education (see below).

Only one girl in five attends secondary school in rural areas. The enrolment rate of young persons aged 15 to 17 has, however, improved, from 35.4 per cent in 2000 to 59.2 per cent in 2013.

The progress made nationally has to be seen in the light of the following factors:

- Far more progress was made between 2009 and 2013, since the enrolment of this age group rose by nine points under the effect of the Emergency Programme;
- Almost 60 per cent of young persons at school in 2013 who were aged exactly 15 years are still enrolled in middle school and some 5.6 per cent of them have fallen considerably behind, being still at primary school. This phenomenon of being behind throughout schooling affects the whole 15-17 age group: 25.4 per cent are at middle school and 1.7 per cent at primary school.
- The net enrolment of 15-17-year-olds in schools leading to a qualification has risen during the decade of the Charter for Education (2000-2013), from 11 per cent in 2000, but it is still low, especially in rural areas, where the increase has been less because of the limited number of secondary schools.

Girls in rural areas are significantly more affected by virtual exclusion from secondary education. The enrolment rate of girls in urban areas is 83 per cent, while it is only 19 per cent in rural areas. The main reasons for this deficit are socioeconomic conditions, such as the standard of living of rural families, lack of boarding facilities for girls, and the migration of girls, including the very young, to cities in search of domestic employment to provide for rural families.

Morocco ranks 136th of 175 countries in terms of average number of years of schooling (5.64 in 2014). The Moroccan population aged 15 years and over has spent an average of five years and six months in the school system, less than the six years of which primary education is composed. More than three quarters of the countries of the world exceed six years of schooling by a large margin.

The relatively high level of adult illiteracy is one factor explaining this, despite the progress made in recent years. The low level of enrolment in secondary education leading to a qualification is the second factor. The population aged 15 years and over that has reached the higher level is marginal. In 2014, the rate was only 8.5 per cent, far lower than in countries with a comparable level of development.

Nonetheless, the achievements of recent years are to be welcomed. During the period 1994-2014, the average number of years of schooling rose almost threefold, from 1.94 to 5.64, in particular as a result of an extension of primary and middle school education. The proportion of the population aged 15 and over that had reached primary and middle school level, which was around 11 and 8 per cent in 1982, doubled to 23 and 16 per cent in 2014.

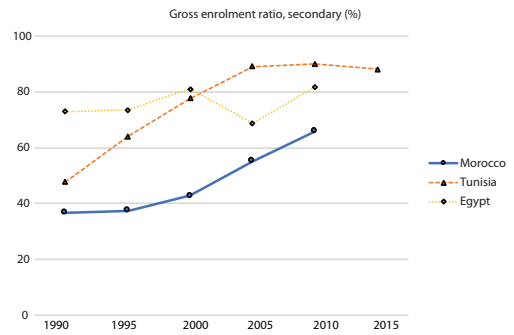
A considerable extension of enrolment also needs to be achieved in higher levels, however.

Figure 22: Youth literacy rate (%)



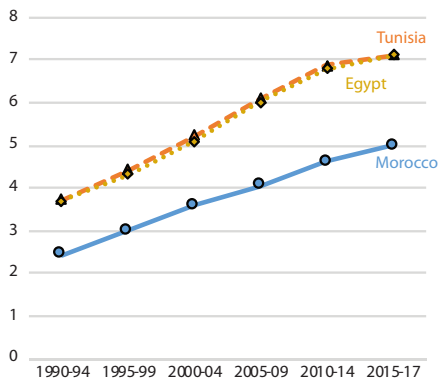
Source: UNESCO (2017).

Figure 23: Gross enrolment ratio, secondary school (%)



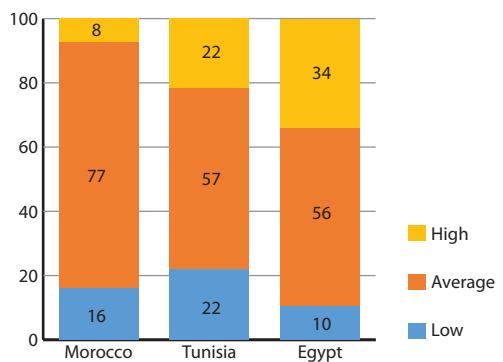
Source: UNESCO (2017).

Figure 24: Average years of schooling (aged 25 years and over)



Source: United Nations Development Programme (UNDP) (2017).

Figure 25: Skill levels (2015, %)



Source: UNDP (2017).

Profile of the Moroccan woman entrepreneur

According to the National Agency to Promote Small and Medium Enterprises, women entrepreneurs in Morocco are aged between 35 and 44, almost the same age as female company managers. In Morocco, women heads of enterprise and women who found businesses are highly educated, more than two thirds of them having a university education. Women who head very small businesses, including shops and crafts, are relatively less educated.

In Morocco, most women who found and head companies have previous professional experience in the business world:

- Usually in a private enterprise (more than 50 per cent), where they occupied executive or managerial positions;
- A not insignificant proportion of women heads of enterprise founded their business immediately after completing their education.

Businesses run by women are characterized by:

- A turnover of less than \$2.4 million;
- Most have been in existence for less than ten years and one third for less than five years;
- 68 per cent of enterprises run by women have fewer than five executives;
- More than 60 per cent of enterprises owned by women employ fewer than 20 people, and 50 per cent of their employees are women.

Source: Box taken from the report *Égalité de genre, politiques publiques et croissance économique*, Financial Studies and Forecasts Division, Ministry of the Economy and Finance, 2017.

4.4 Summary

In addition to the yield of physical capital, the structural transformation of the country necessarily involves an improvement of its human capital. The deficits recorded in terms of education, in particular secondary schooling and the education of rural girls, and health, especially the deficits affecting non-communicable diseases, limit the ability of the country to take advantage of the youthfulness of its workforce. Better and greater investment in the workforce would improve productivity, especially in the non-agricultural sector where apparent labour productivity has been declining since 2012 to reach 0.4 per cent of growth at the end of 2015. The situation of the industrial sector is especially significant. While the capital intensity of the sector, measured by available capital per worker, increased by 4.9 per cent on average between 1999 and 2014, the value added per worker fell by 0.8 per cent per year.

5



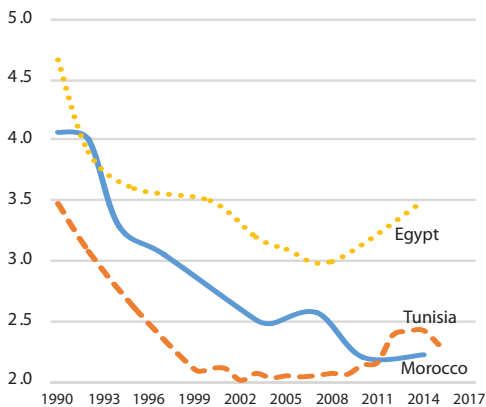
Society

5.1 Demography

Morocco will reach the replacement of generations level in 2020. The country has experienced a sharp fall in fertility in recent years, whereby the total fertility rate (TFR) fell by 0.27 children per woman between the last two censuses, i.e. between 2004 and 2015. This represents a 2 per cent decline per year on average. In 2014, the total fertility rate was 2.2 children per woman.

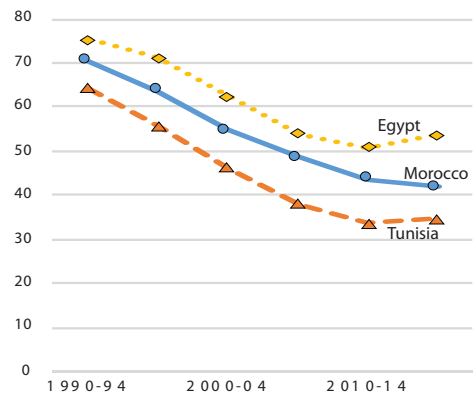
In 2004, urban fertility had already reached the replacement threshold. In 2014, it was two children per woman, below the threshold. The total rural fertility rate was 2.5 children per woman, although it had fallen more rapidly than urban fertility, by 20 per cent as against 5 per cent. The rates are likely to converge in the next few years: while the difference between the two rates was 3.1 children in 1987, it was no more than 0.5 in 2014.

Figure 26: Fertility rate (children per woman)



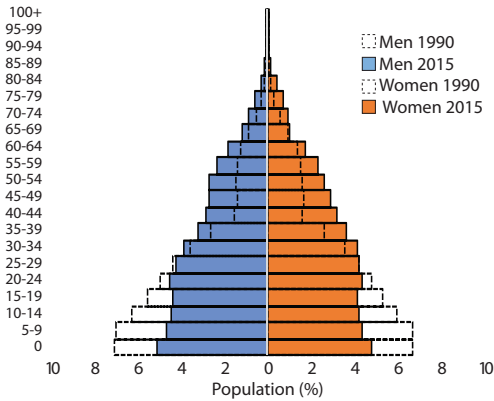
Source: United Nations Department of Economic and Social Affairs (UN DESA) (2017).

Figure 27: Child dependency ratio



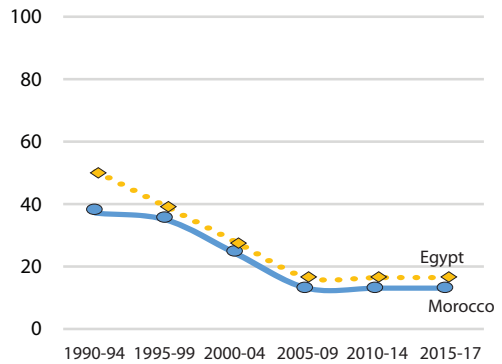
Source: UN DESA (2017).

Figure 28: Population pyramid (1990 and 2015)



Source: UN DESA (2017).

Figure 29: Urban population living in substandard housing (%)



Source: UN-Habitat (2017).

Morocco, transition from a country of emigration, to country of transit and host country

The number of Moroccans resident abroad is estimated at more than four million, most of them living in Europe, a large proportion of these in France. This shows the importance of migration issues for a country more than 10 per cent of the population of which lives abroad. Moroccans resident abroad contributed to the development of Morocco by providing financial support equivalent to some DH 62 million in 2016, which brings down the structural trade deficit of the country considerably, is a support to the income of a large number of households and enables knowledge and skills to be disseminated throughout national territory. The country has put in place several institutions, including a ministry and a national council, to facilitate the involvement of Moroccans living abroad in the development of the country.

With regard to immigration policy, a new National Immigration and Asylum Strategy has been developed. The vision adopted by the Strategy is supported by six guiding principles: a humanist approach; a comprehensive approach; respect for human rights; compliance with international law; renewed multilateral cooperation; and shared responsibility.

This vision finds expression in 11 action programmes: education and culture; youth and sport; health; housing; social assistance; vocational training; employment; management of flows and combatting trafficking; international cooperation and partnership; regulatory and agreement framework; and governance and communication.

The major objective of these actions is to ensure the successful social integration of migrants and refugees in Morocco. An emergency plan has been adopted to provide for the integration needs of migrants who have obtained their residence permit. A set of framework agreements has been signed with the various departments involved to facilitate implementation of the emergency plan.

The Office of the High Commissioner for Planning (2017b) forecasts that the replacement of generations level will be reached in 2020. If almost universal literacy of females of child-bearing age – particularly those aged 20 to 30, the most fertile group – were achieved by 2030, there would be a total fertility rate of 1.95 children per woman by about 2030 and of 1.84 by around 2040, according to Office forecasts.

Furthermore, 16.2 per cent of Moroccan households are headed by females. Increasing access to schooling and the economic changes the country has undergone in recent years have clearly affected the fertility profile of the population, including rises in celibacy rates and delayed first marriage.

The current demographic transition favours structural transformation. The fall in fertility described above has led to a reduction in the generational economic burden calculated by the child dependency ratio.⁴ This was 112.8 per cent in 1971, and began to fall in 1982 to reach 78.9 per cent in 1994, 63.9 per cent in 2004 and 60.3 per cent in 2014. The projections are that the ratio will reach its minimum value in about 2029 (58.6 per cent), before climbing again under the effect of the shrinkage of the working-age population and, according to the Office of the High Commissioner for Planning, will be about 69.7 per cent in 2050.

By 2050, the fall in future fertility will impact the numbers of children of preschool age and the population of primary school and basic secondary school age. This will mean that the population aged four and five years will fall by 19 per cent, that aged six to eleven will fall by 14 per cent, while that aged 12 to 14 will fall by 13 per cent.

This reduction in the child population will be accompanied by an increase in the working-age population, which will rise from 21.1 million in 2014 to 25.6 million in 2050. The population of young people seeking their first job, the 18-24 age group, will rise until 2032, and then decline steadily.

Recent and future trends of declines in fertility and the dependency ratio provide suitable conditions for a demographic window to open in favour of structural transformation. By reducing the base of the age pyramid and broadening its centre, the current demographic transition will significantly lower the burden of basic social services (education and health) and offer the possibility, through promotion of youth employment, of a better qualified workforce with higher productivity.

Morocco has experienced high rural-urban migration since independence. The proportion of the urban population has increased greatly, from 29.2 per cent in 1960 to 41.1 per cent in 1980, reaching 61.3 per cent in 2016. Every year, some 200,000 persons migrate from the countryside to the towns.

An impact study conducted in 2014 by the national programme Towns without Shantytowns found that, in 2003, almost 900,000 Moroccan households, i.e. some five million persons, one third of the urban population, lived in substandard housing below security and decent living standards, such as those set out in the seventh Millennium Development Goal.

⁴ The working age population is defined as the 15 to 59 age group by the Office of the High Commissioner for Planning, differing from the international norm, which defines it as the 15-64 age group.

Of this population, 317,000 households lived in shantytowns, 540,000 households in informal areas (housing built illegally, but of appropriate quality) and 90,000 households in homes in a ruinous condition, mainly in historic urban centres.

The objective of the Towns without Shantytowns programme, launched in 2004, was to provide decent housing to 270,000 households living in urban shantytowns by 2012. The programme did not succeed in eliminating shantytowns by that date. With a budget of DH 25 billion (almost \$2.8 billion), it improved the housing of a million people living in shantytowns. The proportion of urban households living in shantytowns fell from 8.2 per cent to 3.9 per cent between 2004 and 2010, and the number of shanties demolished annually was between 5,000 and 30,000 (Ministry of Housing and Urban and Regional Planning, 2014). In April 2011, the implementation rate was 68.6 per cent and 43 towns were declared to be without shantytowns, while 17 of the 42 remaining were close to being so (Ministry of Housing and Urban and Regional Planning, 2014).

The *Economic Report on Africa 2017* examined the relationship between urbanization and industrialization. On the basis of fieldwork, including in the industrial zones of Tangier, the report identified the mechanisms put in place by central government in coordination with local authorities for harmonized regional development based on industrial sectors competitive on the global market, such as cars and aeronautics.

5.2 Health

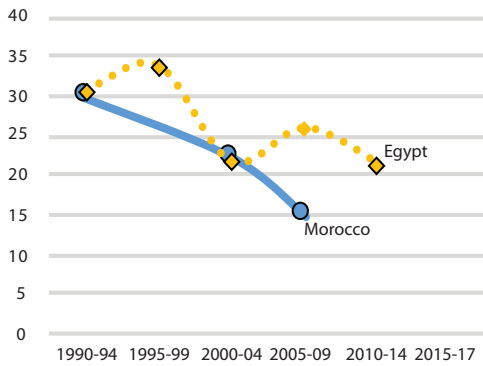
Stunting continues to affect a significant proportion of children. Inadequate diet and/or repeated long periods of infection result in stunting, generally measured by small size compared to age. Stunting that occurs in the first years of life cannot usually be made up for later.

The most recent national survey of the population and family health in 2011, found that 14.7 per cent of children under five were stunted and 4.5 per cent severely stunted. The survey conducted in 2003-2004 found the proportion to be 23.7 per cent. Girls suffer from stunting less than boys, the prevalence being 14 per cent among girls, as against 15.8 per cent among boys, while 4.1 per cent of girls and 4.9 per cent of boys were severely stunted.

Children aged 24 to 35 months are most affected, 20.5 per cent of the children of this age group surveyed being stunted, as compared with 7.4 per cent of children aged six to 11 months. The same trends are found in relation to severe stunting for these age groups.

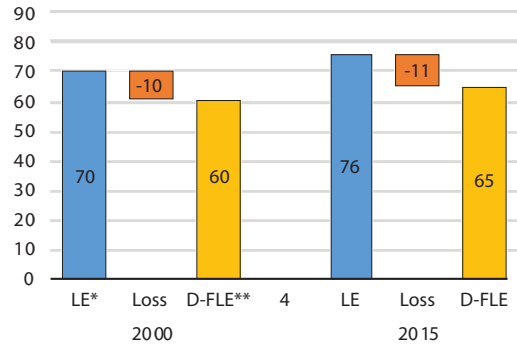
A spatial analysis shows significant regional disparities. First, as expected, rural areas suffer from this phenomenon more than urban areas, 20.5 per cent and 8.6 per cent, respectively. Second, there is as much as a fivefold disparity between different regions of the country. The Greater Casablanca region has a low rate of 5.1 per cent, while in Souss-Massa-Draa, the poorest region in the country, the rate is 24.4 per cent.

Figure 30: Children stunted (%)



Source: ICF International (201)

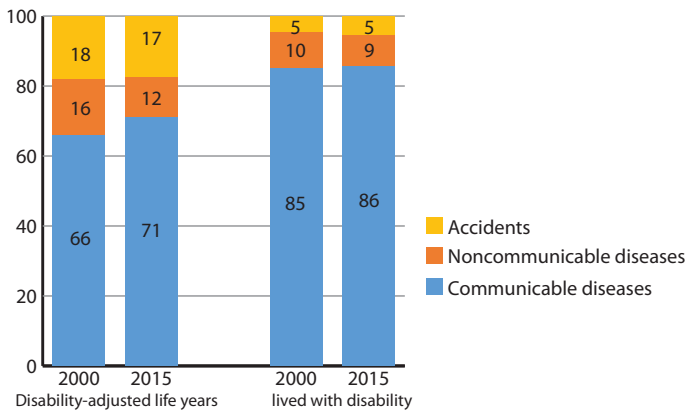
Figure 31: Disability-free life expectancy (years)



*life expectancy; ** disability-free life expectancy]

Source: WHO (2017).

Figure 32: Disease burden by cause (15-49 years, %)



Source: Institute for Health Metrics and Evaluation (2017).

Significant gains in life expectancy but health challenges persist. In 2015, disability-free life expectancy for both genders was 11 years lower than overall life expectancy at birth, i.e. 65 years as against 76. This expropriation of healthy life lost represents 11 equivalent years of health lost during years lived with disease and illness.

In Morocco, nearly 75 per cent of the 206,000 deaths registered in 2014 were the result of noncommunicable diseases. The probability of death caused by the four main types of noncommunicable disease (cancers, diabetes, cardiovascular disease and chronic respiratory diseases) for the 30 to 70 age group was 23 per cent.

Cardiovascular disease heads the deaths caused by noncommunicable diseases, with nearly 34 per cent of deaths registered each year, followed by diabetes (12 per cent), cancers (11 per cent) and chronic respiratory disease (4 per cent). The other noncommunicable diseases account for 14 per cent of deaths registered.

The risk factors for the country as identified by the World Health Organization (WHO) mainly concern complications related to blood pressure, obesity and tobacco use. Consumption of alcohol is marginal and concerns more men than women, while obesity-related risks affect twice as many women as men.

It should also be noted that the data set out above, taken from the WHO database, are WHO estimates and are very uncertain because Morocco has no national data on noncommunicable diseases. WHO also highlights the weakness of the national response to early death caused by noncommunicable diseases and the need for proactive public policies to put in place the necessary institutions, supporting in particular the Noncommunicable Diseases Division of the Ministry of Health, giving it a national policy along with a coherent action plan and a monitoring, evaluation and information system.

5.3 Poverty and inequality

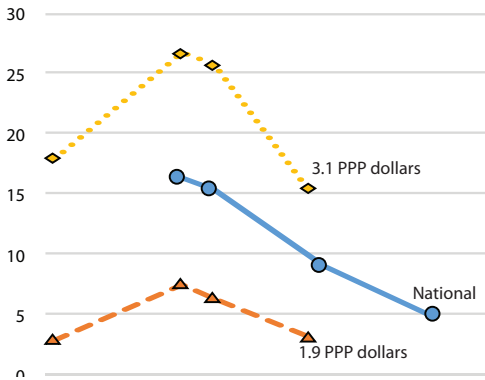
The efforts made have brought the poverty rate down to 5 per cent of the population, i.e. 1.6 million Moroccans. In 2014, the national monetary poverty threshold was, on average, 3.1 purchasing power parity (PPP) dollars per person per day in urban areas and 2.9 PPP dollars in rural areas (1 PPP dollar = 4.13 dirhams). In these terms, in 2014, the national poverty rate was 4.8 per cent (1,605,000 persons). Monetary poverty is mainly rural poverty since 79.4 per cent of the poor live in rural areas. The incidence of poverty is higher there than in urban areas, 9.5 per cent as against 1.6 per cent.

The efforts made by the national authorities have considerably reduced the number of poor people in the country. Between 2001 and 2014, the poor population fell from 4.46 million in 2001 to 2.75 million in 2007 and to 1.6 million in 2014, an average annual fall of 7.7 per cent over the period. In absolute terms, this gain is mainly the result of the reduction of poverty in rural areas, which went from 25 per cent in 2001 to 9.5 per cent in 2014. In relative terms, however, the rate of the average annual fall in poverty was consolidated in the towns, going from 7.1 per cent between 2001 and 2007 to 15.4 per cent between 2007 and 2014, compared to a slowdown in rural areas, where the rate fell from 8.8 per cent to 6 per cent.

The differential in real terms in improved standards of living between urban and rural areas, to the disadvantage of rural areas, explains this turnaround in poverty reduction between town and country.

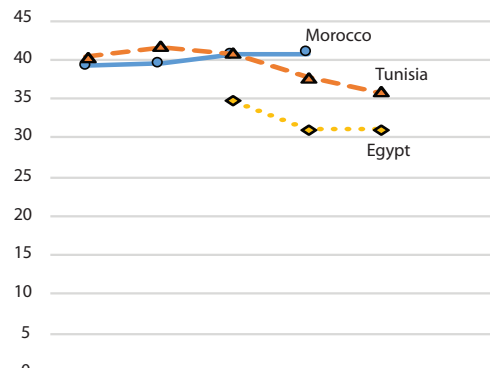
The analysis of poverty by region undertaken by the Office of the High Commissioner for Planning brings out the scale of regional differences. Thus the Draa-Tafilalet region, with a

Figure 33: Poverty headcount ratio (%)



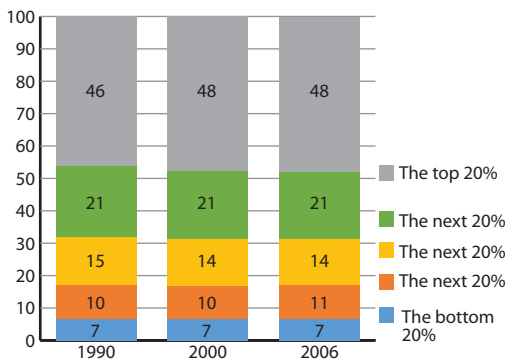
Source: World Bank (2017).

Figure 34: Gini Index



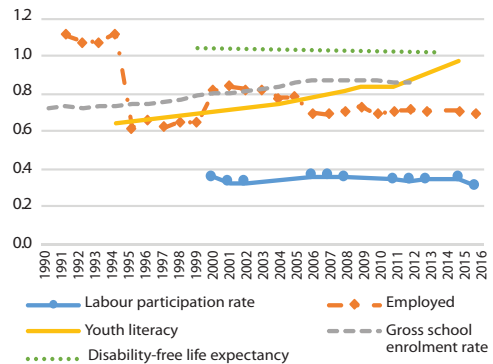
Source: World Bank (2017).

Figure 35: Income shares (%)



Source: World Bank (2017).

Figure 36: Gender parity indices



Source: ILO (2017), World Bank (2017), UNDP (2017).

14.6 per cent poverty rate, is the poorest region, while the rate in the Casablanca-Settat region is only 2 per cent. Six of the 16 regions of the country have 74 per cent of the total poor population.

Between 2001 and 2014, the living standards of all households, particularly the poor and intermediate categories, improved. Between 2001 and 2014, the trend in the concentration of mass expenditure shows that spending became less unequal. Social inequalities, measured by the Gini index show the beginnings of a downward curve after a period of stagnation, going from 40.6 per cent in 2001 to 40.7 per cent in 2007, and to 39.5 per cent in 2014.

Some trends should be noted:

- The relationship between the shares of the most affluent 10 per cent and the most disadvantaged 10 per cent went from a factor of 12.2 in 2001 to a factor of 11.8 in 2014. This reduction is greater in urban than in rural areas.
- The same trend was recorded between the poorest 5 per cent and the richest 5 per cent, where the relative standard of living went from a factor of 19.3 in favour of the most affluent in 2001 to a factor of 19.2 in 2014.
- The more affluent half of the population possesses 75.8 per cent of total wealth, comfort, material goods and necessities, i.e. a little over three times (3.1) the standard of living of the less affluent 50 per cent.

The national economy is deprived of a large proportion of its human resources because of the low participation rate of women in economic life. The rate of participation of the working age population shows the participation of women in the economy and the degree of their financial autonomy. In Morocco in 2014, the rate was 34.8 per cent.

This rate increased steadily at the beginning of the previous decade, from 32.6 per cent in 2001 to 37.3 per cent in 2007, and then became fairly stable at around 35 per cent.

Moreover, in 2016, almost 23.6 per cent of women of working age were in the employment market. A survey by the Office of the High Commissioner for Planning found that 12 per cent of housewives, more than 900,000 persons, wanted to enter the job market if economic conditions showed positive signs in terms of availability of jobs. If this section of the working age population had had access to the job market in 2015, the national activity rate would have been nearly 51 per cent, close to the global average.⁵ All else being equal, the effect of this would have been to increase the national unemployment rate to 16 per cent.

The lack of employment opportunities created by the national economy discourages the working age population, especially women, from seeking work; this section of the population prefers not to work. The national economy is thus depriving itself of a proportion of its workforce and capacity to create value.

⁵ 5.03 per cent in 2014, according to ILO.

5.4 Summary

Morocco currently enjoys a “demographic window” consisting of a fall in fertility and the arrival on the labour market of better qualified young women and men, which should reduce public expenditure on basic social services and allow maximum exploitation of the productive capacities of the country. In order for this to happen, however, the challenges of secondary education leading to a qualification and the creation of decent jobs have to be met and high youth unemployment tackled.

The progress made in combating poverty in all its aspects is to be commended but the pockets of resistance in certain rural areas should be targeted by leveraging the education of rural girls.

6



Key messages

- **The dependency of economic growth on rainfall has been reduced and the work of the Green Morocco Plan should continue.** Despite the progress made in reducing the volatility of the agricultural sector through the Green Morocco Plan, the economic growth of the country continues to be highly dependent on rainfall and cereal production. The efforts made in this regard should be maintained to support high value added sectors, and the implementation period of the Green Morocco Plan should be extended to perpetuate its results.
- **The emergence of new industrial sectors does not yet make up for the decline of traditional activities.** The decline of traditional industrial activities, such as textiles and clothing, which provided a great many jobs, is not compensated for by the emergence of high value added industries supported by the industrial policy of the country. Morocco should promote further profound integration of the industrial fabric of the country in order to facilitate the participation of enterprises with national capital.
- **Improved national competitiveness is a prerequisite for reducing the structural trade deficit of the country.** The growth model of the country is driven by domestic demand. Its export product range suffers from lack of competitiveness, causing a structural trade deficit.
- **Structural transformation requires the creation of decent jobs, especially for young men and women.** Industrial policies have not created enough jobs to tackle unemployment, especially youth unemployment. The country should systematically evaluate the relevance of sectoral policies in terms of their job creation potential.
- **Despite the progress made in recent years, youth skills need to be strengthened.** Investing more in secondary and vocational education in order to strengthen the skills of young people arriving on the job market is a means of public intervention that can help to reduce youth unemployment and improve the skills and knowledge of the workforce.

- **Investing in early childhood is an investment for a better future.** Early childhood still suffers from lack of investment, including in terms of health and preschool education.
- **Gender equality is a right enshrined in the Constitution of the country and promoting it is the responsibility of the authorities. It is also a tool of structural transformation.** The participation of women in economic life is a challenge that prevents the country benefiting from a whole section of its workforce. Morocco should review the assessment of the place of women in the education system and the media in order to promote greater autonomy and a greater economic role for women.
- **Improving productivity requires that better quality basic social services be put in place, including health services.** The Moroccan population spends an average of almost ten years of life with illness or invalidity. Noncommunicable diseases are a major cause of this. It is a matter of urgency to devise and implement a national policy to tackle such diseases.

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