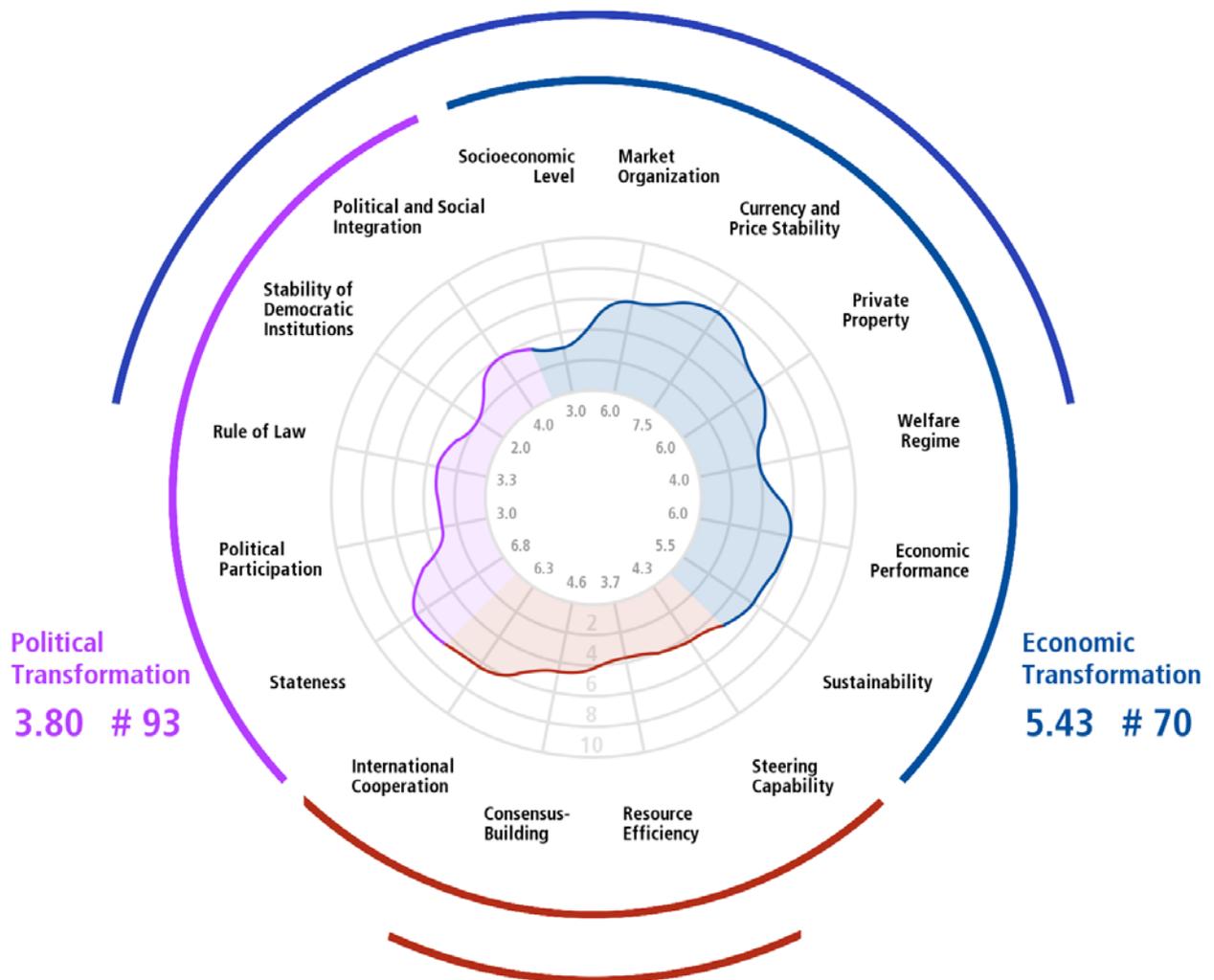


Morocco

Status Index

4.61 # 90

on 1-10 scale out of 129



Political Transformation
3.80 # 93

Economic Transformation
5.43 # 70

Governance Index

4.28 # 83

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	35.3	HDI	0.647	GDP p.c., PPP \$	7838
Pop. growth ¹	% p.a.	1.4	HDI rank of 188	123	Gini Index	40.7
Life expectancy	years	75.5	UN Education Index	0.542	Poverty ³	% 17.0
Urban population	%	60.7	Gender inequality ²	0.494	Aid per capita	\$ 39.3

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Major political trends in Morocco have not changed since the previous review period. The Moroccan neo-authoritarian monarchy weathered the “Arab Spring” through constitutional reforms and early elections (in 2011). The constitutional reforms promised greater judicial independence and a more relevant role for parliament. In essence, however, these reforms have not altered the distribution of power in Morocco. Provisions concerning judicial independence and auditing have not yet led to an actual change in practice. While the parliament has adopted several reform packages – including judicial reforms and the protection of freedom of expression – their practical implications remain unclear.

In the 2011 early parliamentary elections, the Islamist Party of Justice and Development (PJD) came out victorious. The PJD formed a typical Moroccan governing coalition of ideologically diverse parties. In the latest parliamentary elections in October 2016, the PJD further increased its vote share, winning about 30% – the largest share of seats. As of January 2017, the PJD had not, however, been able to form a government, due to obstacles orchestrated by the “deep state” of the monarchy. The PJD needs three to four parties to successfully form a governing coalition, but the other parties are mainly responsive to the monarchy or vying to lead powerful ministries ultimately under monarchical control. Among the general population, political disaffection remains high, demonstrated by high abstention rates and low trust in parliament and political parties. Press freedom remains low and human rights abuses continue. In addition, the activities of local human rights associations remain restricted.

The government has continued its program of economic liberalization, further reducing tariffs and strengthening investor protections. Although economic growth remains heavily dependent on agriculture, there have been improvements in macroeconomic performance. Most notably, the budget deficit has been successfully reduced and reforms passed that will increase macroeconomic

stability and foreign investment. Although Morocco has begun to implement a health care scheme for the poor, insufficient social safety nets, illiteracy and gender inequality remain challenges.

Morocco continued to enjoy the strong financial and political support of both the United States and European Union. The country has also continued its strategy of diversifying international cooperation, a significant step being its readmission to the African Union in January 2017. Notwithstanding, there have been a series of setbacks relating to the Western Sahara and relations with neighboring Algeria have remained poor.

History and Characteristics of Transformation

Following the country's independence from France in 1956, the Moroccan monarchy based its rule on the rural elites, urban bourgeoisie and military. Over the next decades, political opposition from leftists and nationalists was contained through harsh repression, co-optation and divide et impera politics. As the regime relied on the support of the major rural landowners, it refrained from initiating massive industrialization programs financed through wealth transfers from the agricultural sector. At the same time, it implemented tariff barriers to promote national industries which helped to generate support among the bourgeoisie, emulating other developing nations. Contrary to its neighboring former French colonies Tunisia and Algeria, Morocco did not follow an explicit modernizing agenda upon independence. This resulted, among others in education and literacy levels remaining comparatively low.

In the late 1960s and early 1970s, King Hassan II reacted to social unrest and two military coup attempts through redistributive policies aimed at appeasing the constituencies of the political opposition. He raised the minimum wage, granted scholarships to all students attending university and expanded the parastatal sector. During the early 1970s, the financial cost of this economic reorientation was initially borne by a surge in phosphate prices, Morocco's key export. Subsequently, Morocco resorted to foreign loans, which eventually led the country into massive debt. Additional costs were generated by Morocco's annexation of the Western Sahara territory in 1975 which created an expensive and lengthy war with the Polisario Front.

The ensuing crisis of public finances and subsequent restrictions of structural adjustment programs triggered waves of social unrest and bread riots in the 1980s and early 1990s. Morocco's economic and social challenges strengthened the political opposition, forcing the regime to enact economic and political reforms in the 1990s. On the economic front, Hassan II modernized the legal environment for the business sector. New laws were implemented in the banking sector, the tax system was overhauled to simplify and optimize tax collection and a major privatization program was set in motion. This fell short, however, of dismantling Morocco's complex and deeply entrenched patronage system.

Political liberalization measures appeased the opposition and lessened international pressure regarding Morocco's deplorable human rights record. Political prisoners were released and press

freedom increased. A constitutional reform provided for the first direct elections of all members of parliament in 1997. This same reform also introduced a new upper chamber with wide-ranging prerogatives and a pro-regime composition to counterbalance the strengthened lower chamber. King Hassan II reached out to the political opposition and appointed opposition leader Abderahmane Youssoufi, then secretary-general of the major opposition party the Socialist Union of Popular Forces, as prime minister in 1998. The government also included two other opposition parties: the Istiqlal and Party of Socialist Progress. Until 2011, these parties and various pro-regime parties formed the government coalition, losing much of their reform drive and mobilization potential over time.

Another important feature of the 1997 elections was the participation of the first Islamist political party, the Party of Justice and Development (PJD), representing one of the two main currents of political Islam in Morocco. The other major current of Islamism, the Justice and Charity (JC) association, has to date refused to accept the monarchy's religious and political leadership; it remains illegal and is occasionally persecuted.

After Hassan II died in July 1999, his successor, Mohammed VI, positioned himself as a political and social reformer. Initially, two symbolic gestures stood out: his release of the JC leader Abdessalam Yassine from house arrest and firing of Driss Basri, the former interior minister. Basri had been Hassan II's most trusted adviser as well as the embodiment of human rights abuses and rigged elections. Mohammed VI also established the Equity and Reconciliation Commission, with a mandate to identify and compensate former victims of human rights violations. Additionally, he initiated a new personal status law that improved the legal situation of women. In spite of these improvements, Mohammed VI's reign has not changed the configuration of power – the political system remains undemocratic. Parliamentary elections (in 2002, 2007, 2011 and 2016) under his reign have been more transparent, but excessive gerrymandering and the toleration of vote-buying have ensured a fragmented parliament. Since the Casablanca terrorist bombings on 16 May 2003, human rights abuses and violations of press freedom are again on the rise.

As other Middle Eastern and North African countries, Morocco experienced important protests by the "February 20" movement in 2011. The monarchy managed to stay on top of these protests with two key initiatives. The first were constitutional reforms, approved in a popular referendum. The second were early parliamentary elections in November 2011 in which PJD, previously the most important opposition party, gained the largest seat share. Its leader Abdelilah Benkirane became the head of government. Nonetheless, the PJD – similar to previously co-opted opposition parties – has not been able to implement elements of its political agenda which stand in contrast to the monarchy's interests.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state possesses a monopoly on the use of force throughout the internationally recognized Moroccan territory. In the Western Sahara territory which Morocco annexed in 1975 tensions have recently increased.

In the northern Rif region, it does not appear that the state is intent on stopping drug production and trafficking, but it does have control over the local politics of drugs. On the one hand, as long as there is a lack of economic alternatives for the local populations, the state is reluctant to exercise full control. On the other hand, the fact that segments of the security forces and other local political elites appear to be connected to drug networks is an equally important factor for a stringent policy of control. The links between drug traffickers and Moroccan security forces were first acknowledged in April 2012 by the ministry of the interior, but no further steps have been taken. There are also signs that some money from drug trafficking is funneled to terrorist networks.

Terrorism remains an issue, though deadly attacks are relatively rare and have not occurred in recent years. The main concern is Moroccan radical Jihadist militants returning home after fighting in Iraq, Syria or Libya. These Jihadists are concentrated in northern Morocco. Around 3,000 are believed to be fighting for the so-called Islamic State (IS) abroad and there are a number of local cells. In 2015, some of these cells were dismantled and weapons were confiscated. In 2016, a cell of ten women allegedly planning IS attacks inside Morocco was dismantled. To face the threat of terrorism, in 2015 a new institutional framework for coordination between the various security services was created.

Morocco's status as a nation-state is considered legitimate by almost all actors. Amazigh groups have successfully claimed more cultural rights but do not put into question the legitimacy of the Moroccan nation-state. The key battleground over state identity relates to the geographical boundaries of the country. Morocco annexed the

Question
Score

Monopoly on the
use of force

8

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8

1

State identity

7

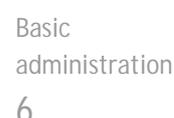
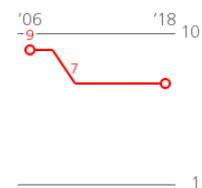
Western Sahara in 1975 and considers it part of its “territorial integrity.” While this claim is not internationally recognized, Morocco refuses to grant the local population the right to a referendum. Groups and individuals questioning the legitimacy or even usefulness of Morocco’s claim to the Western Sahara are either marginalized from debates in the public sphere or harassed and potentially persecuted.

Another aspect of Moroccan state identity under critique is the political system, which is based on a hereditary monarchy with full control over the political landscape. This critique comes from the most powerful Islamist social movement organization, Justice and Charity, as well as from relatively less powerful radical left-wing forces associated with al-Nahj al-Dimocrati (“Democratic Path”) and other independent civil society actors.

Islam is the official religion of the state and it is constantly being instrumentalized for various political and social goals. Nearly all Moroccans are Sunni Muslims. The constitution and media laws prohibit any citizen from criticizing Islam, which is punishable by imprisonment.

There are an estimated 3,000 to 4,000 Jews in Morocco, approximately 2,500 of whom reside in Casablanca. In addition, there are around 5,000 Christians and Shi’a Muslims each, mostly foreign residents. Religious communities are permitted to practice their faith without government interference, but proselytizing for a religion other than Sunni Islam remains against the law and may be punished by six months to three years of imprisonment and a fine of MAD 115 to MAD 575. In early 2017, a YouTube video by a Moroccan convert to the Christian faith relaunched a discussion about religious freedoms. The legal system has mainly secular origins but laws pertaining to personal status (marriage, inheritance, etc.) have a religious basis. The king holds the title of “Commander of the Faithful” and his power to rule is linked to his ability to maintain and constantly make use of his religious authority. The king is the guardian of so-called Moroccan Islam based on Sunni Orthodoxy, Malikism and Sharifism. This has remained part of the Moroccan political/religious reality even after the constitutional reforms in 2011, when the king’s sacredness was no longer constitutionally established, but the persona of the king remained “inviolable.” The newly established Mohammed VI Institute for Training Imams (religious scholars), open since March 2015, is part of Morocco’s larger strategy to control the religious field and ensure what it sees as a moderate interpretation of Islam in various state institutions (e.g., in the content of sermons in mosques). Control over the religious field is so important for the Moroccan authorities that they have coined the new concept of “al-amm al-ruhi” (spiritual security), which intends to legitimate the various practices of religious control.

The state’s administrative infrastructure extends throughout the territory of the country and is effective in controlling citizens. The ministries that are responsible for controlling citizens are often more efficient than the ministries that serve the population or provide basic services. Education, health and transportation are the



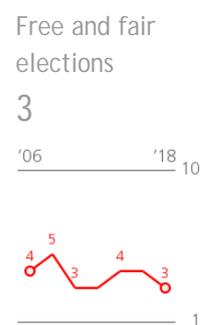
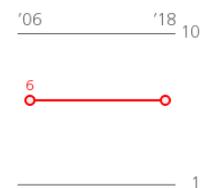
most deficient policy areas, while the army and the ministry of the interior have more funding and are more efficient. The service ministries are generally understaffed and suffer from widespread corruption and the low skill level of many public employees. Given the lack of a significant democratic framework, the decentralization that started in the early 2000s has not been accompanied by a substantial devolution of power to elected municipal or provincial entities.

Access to water, electricity and sanitation is only improving at a slow rate and displays a marked pattern of urban-rural inequality. According to the latest population census in 2014, only around 60% of Moroccan households are connected to the sewer system, 73% have access to tap water and 90% are connected to the electricity grid. For rural households the figures are 3%, 38% and 85%, respectively. The authorities also remain poorly prepared to respond to annually occurring floods and have not put in place a functioning alert and prevention system. In 2016, around ten people were killed by floods in spring and autumn. When it snows, some mountainous areas are largely inaccessible due to the lack of well-built roads and maintenance services.

2 | Political Participation

National and local elections, though regularly held and fairly transparent, do not and are not intended to produce autonomous democratic institutions. Elections are organized by the minister of interior, who has the power to control redistricting and the eligibility of candidacies. The minister answers directly to the king and is thus not impartial. In practice, election results can be shaped through informal strategies such as vote-buying. This reality remained unchanged for the two parliamentary elections held since the constitutional reforms undertaken in the context of the “Arab Spring.”

In October 2016, the second parliamentary elections were held since the constitutional reforms. The Islamist Party of Justice and Development (PJD) came out as the strongest party despite its prior protests against the treatment of its candidates and voters in the run-up to the elections. Following the 2011 constitutional changes, according to which the head of government must be the leader of the party with the most seats in parliament, the king reappointed PJD’s Abdelilah Benkirane as head of government on 10 October 2016. The PJD, however, had not succeeded in forming a government in the three months following the elections, an unprecedented phenomenon in Morocco, where governments are typically formed within one month. Observers suggest that this impasse was orchestrated by the regime to prevent a second Benkirane government. This is likely, given that the regime was behind a major government reshuffle during the first Benkirane government – out of which the PJD emerged severely weakened.



Municipal elections were held in 2015. Detailed results were only published by the Ministry of Interior eight months after the actual elections took place and after repeated calls for their publication, including from the prime minister.

Turnout has remained low. In the 2016 parliamentary elections, only 43% of registered voters cast a ballot; in the municipal elections, the figure was 53%. The figure is even lower (around 30%) if one takes into account the large share of voting age Moroccans that are not registered to vote (most are young). In addition, reports suggest that there were around one million spoiled ballots (around 15%) in the parliamentary elections and around 11% in the municipal elections, though official figures have only been provided for the municipal elections.

The elections were again boycotted by Morocco's largest Islamist group, the illegal Justice and Charity association (al-Adl wa l-Ihsan), suggesting that Moroccan elections still do not produce fully representative and legitimate governments. Most Moroccans do not vote because they are aware that power is not held by elected officials. As such, parliament is largely discredited.

Elected officials in Morocco do not possess effective power to rule. Although the constitution was reformed in 2011 and the king is now obliged to appoint any member from the party winning the largest seat share as head of government, effective power rests with the monarchy. The new constitution does not provide for separations of power and still reserves for the king three areas of exclusive domain: religion, security, and "strategic policy choices." The king still appoints key ministers such as defense and interior. The king also appoints the secretaries of state of all ministries, all the governors, heads of administrative provinces, directors of public agencies and enterprises, and judges and magistrates. Royal commissions with more power than the ministers remain an important feature of the autocratic nature of the regime. To the extent that their policies do not stand in contrast to the monarchy's interest, the national and municipal governments have some scope to design and implement policies. The Benkirane government, in charge of a few ministries since the 2011 elections, initially signaled its dissatisfaction with being bypassed, but the PJD has been more concerned with normalizing its relationship with the monarchy than promoting effective democratic procedures. During the 2011 to 2016 legislature, power appears to have flowed away from elected officials toward the king, with ministries such as education and interior reporting directly to the king. The interior minister remains a central figure in the political process. In 2016, the PJD and leftwing parties formally accused the interior ministry of supporting the Modernity and Authenticity Party (Parti de l'Authenticité et de la Modernité, PAM), known for its close ties to the monarchy.

The Moroccan constitution guarantees the right of assembly and association. The 2003 labor law entailed a commitment to adopt and ratify International Labour Organization (ILO) Convention No. 87 on Freedom of Association and Protection of the Right to Organize, but as of today, Morocco has not ratified the convention. New

Effective power to govern

2

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2

1

Association / assembly rights

4

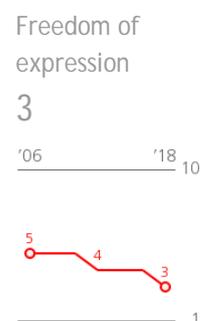
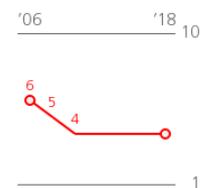
laws were also introduced to limit labor strikes, including introducing the practice of taking strike days from the salaries of employees.

In practice, NGOs have become more subjected to extensive administrative and financial regulation by the state. Registration procedures may create obstacles. Groups with non-political objectives generally do not face problems with registration, but Islamist groups, organizations supporting self-determination for Western Sahara and some native Amazigh organizations struggle to gain legal status. This includes the largest Islamist organization, Justice and Charity, which recently saw the removal of hundreds of its members from positions of responsibility across various state institutions. The Sahrawi Collective of Human Rights Defenders faces similar challenges. Legal registration is required for accessing government funds or accepting contributions.

According to a 2015 human rights report by the U.S. State Department, authorization is required for assemblies of more than three people and this policy is used selectively to discourage or disband peaceful gatherings. Human rights associations as well as lesbian, gay, bisexual, transgender and intersex (LGBTI) advocacy organizations have seen their activities curtailed. For instance, the Cervantes Institute of Rabat received “pressure” to cancel an activity by an LGBTI advocacy organization. There have also been reports of demonstrations for political reform being authorized, but subsequently disrupted by police with beatings and arrests.

Freedom of expression in Morocco is severely constrained when it comes to what is popularly referred to as “red lines,” which include subjects related to Islam, the monarchy and the Sahara. The 2002 press code gives the prime minister the right to order the suspension of a publication if it undermines Islam, the monarchy, “territorial integrity” (meaning Morocco’s claim to the Western Sahara) or public order. The king has the authority to name the heads of all public radio and television stations, as well as appoint the president and four board members of the High Authority for Audio-Visual Communication, which issues broadcast licenses. State media is fully dependent on the regime and only publishes favorable stories of the monarchy and its achievements.

The country’s Reporters Without Borders’ World Press Freedom Index placement slightly improved from 2014 to 2015 (from a ranking of 136th to 130th) but stagnated between 2015 and 2016 (131th). Hopes for greater freedom of expression that emerged from the 2011 constitution have failed to materialize. In 2014, three bills were announced that would advance press freedom and access to information. These bills were seen as an improvement, though international critics observed that they did not go far enough and were not adopted as planned. A new press code was adopted in 2016, with mixed reactions from journalists. The new law eliminated prison sentences for defamation and crossing the three “red lines,” substituting prison



penalties with fines. While this is an improvement, critics note that prison sentences for the same “offenses” remain a possibility according to the criminal code.

Freedom House reports that 2015 saw a very large number of high profile criminal defamation cases for journalists reporting on corruption and torture, leading to large fines. In addition, journalists are sometimes imprisoned on fabricated criminal charges. In 2016, seven Moroccan journalists were put on trial for violating national security – they had trained citizen journalists to use a news sharing smartphone app. Harassment also extends to international reporters, which have reportedly been arrested. For example, a crew from France’s 3TV was expelled and had their equipment confiscated for reporting on human rights in Morocco. Self-censorship and government restrictions on sensitive topics remained serious hurdles to the development of a free and investigative press. In general, freedom of expression in Morocco is curtailed with discrete strategies of control and intimidation which make use of the legal system and financial strains on independent journalists, some of whom prefer to live in exile outside of the country.

3 | Rule of Law

There are no functioning checks and balances in the Moroccan political system. The king legislates via royal commissions and dominates the judicial branch via his right to appoint judges. He also has the power to enact royal decrees (“dahirs”). Constitutionally, the legislative, executive and judicial branches of government are ultimately controlled by the king. The king is also the head of the military. In spite of the constitutional reform in 2011, the constitution offers no counterbalance to monarchical power. The king takes most of the major decisions and there is no system of accountability. Although the new constitution strengthens parliament and the judiciary, it does not decrease the king’s power. For example, the king still presides over the Council of Ministers when “strategic political decisions” are at stake; it is left to the king to decide which decisions are considered strategic. Additionally, there is a large gulf between the constitutional text and actual practices which further limits the prerogatives of the head of government, parliament and the judiciary. The judiciary, in particular, is considered weak. Unlike in other authoritarian states, it has never tried to assert its independence vis-à-vis the executive and is known to deliver rulings that are desired by the regime.

The lack of an institutionally based democratic context makes the judiciary largely dependent on the monarchy. The Higher Council of the Judiciary (Conseil Supérieur de la Magistrature) is dominated by the king’s appointees and judges are appointed by the king. In addition, the judicial system is considered one of the most corrupt sectors of the country. The 2011 constitutional reform does give the judicial branch greater powers and independence, but these have yet to be implemented. In September 2013, a charter outlining a plan of action and roadmap for reforming the

Separation of powers

2

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Independent judiciary

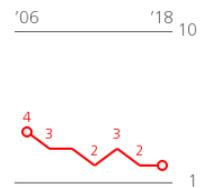
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judiciary was proposed. The charter included plans to strengthen independence by removing executive control over appointments, promotions and salaries. In February 2016, a law on the status of judges was passed. However, this law has been heavily criticized by international bodies (e.g., the International Commission of Jurists) for not being in line with international standards and insufficient on judicial independence. For instance, the law does not allow the Superior Council of the Judiciary to manage the careers of judges (e.g., selecting trainees). Procedures for the selection and dismissal of key judges were also not reformed. In an illustration of the importance of such limitations, two judges were dismissed in February 2016 for criticizing the aforementioned law. The judiciary remains an emanation of the authoritarian system of rule in which it functions; the piecemeal reforms that the minister of justice has attempted to put forward are technical in nature and ultimately constrained by the system.

Corruption in Morocco is systemic. The state only prosecutes cases of corruption when it considers it politically expedient and serves its interests. Hence, information about the corruption of a high official can itself be instrumentalized within a system of rule in which corruption is endemic. Presently, Morocco's anti-corruption agency, the Central Instance for Corruption Prevention (CICP), which serves an advisory role to public, private and non-governmental actors on policies to prevent corruption, still lacks power and independence from the executive to adequately pursue corruption charges. The activities of the CICP appears not to have led to substantial judicial action. According to a 2015 report by the U.S. Department of State, the CICP forwarded only 14 cases of corruption to the general prosecutor in 2015 (down from 37 in 2014), with no charges resulting from them.

In a June 2015 decree, the CICP was to be replaced by the "Instance nationale de la probité, de la prévention et de la lutte contre la corruption" (INPLC, National Authority for Integrity and the Prevention and Combating of Corruption). An important prerogative of this new body relative to CICP is the right to investigate corruption. However, the establishment of the new body has suffered delays and, more than a year and half after the decree mandating its inception, it has not yet been established.

The Court of Auditors publishes well-documented reports about mismanagement, but follow-up remains largely at the discretion of the authorities and depends on political considerations. The 2015 Open Budget Survey, which provides a score of how transparent public budgets are in various countries, awards Morocco a classification of "minimal" transparency, the second worst classification after "scant or none." Morocco has been continuously in this classification since 2008.



Civil rights and equality before the law are constitutionally guaranteed. In practice, after an optimistic start in the early reign of King Mohammed VI, civil rights have been increasingly violated. In 2014, Morocco ratified the Optional Protocol to the Convention against Torture, but has not yet taken key steps for its implementation, such as the creation of a National Prevention Mechanism.

Prison and detention conditions are poor and pretrial detention is used extensively, leading to overcrowding. Moreover, pretrial detention exceeding the authorized time is a common practice in Morocco. Human Rights Watch reported that in 2015, 41% of prisoners were in pretrial detention.

The courts rarely investigate complaints concerning torture and often convict defendants mainly on the basis of contested police statements and “confessions.” According to a report by the U.S. Department of State, police continue to use excessive force to quell peaceful protests, resulting in hundreds of injuries. It also noted a generally widespread disregard for the rule of law by security forces. The same report states that there was no prosecution of security personnel who committed human rights abuses. The fatal crushing (in a garbage truck) of a 31-year-old fisherman after police confiscated his fish stand on October 28, 2016, led to countrywide protests against authorities’ general despotism. In addition to the police and judiciary, the National Human Rights Council also initiated inquiries about this incident, but as of January 31, 2017, it had not established what exact role police had played in the incident nor why the trash compactor had been activated.

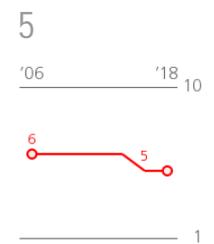
Filing a complaint against authorities’ misbehavior can actually lead to prison time. According to Amnesty International, eight people have served prison sentences since 2014 for “false” accusations of torture. As an example, Human Rights Watch reported the case of Wafae Charaf, alleged to have been kidnapped during a worker’s protest rally and subsequently tortured; she was released in September 2016 after serving 2 years in prison.

An article in the penal code that prescribes six months to three years in prison for homosexual acts was applied in July 2015, when three men were convicted for same-sex relations and sentenced to five months in prison.

4 | Stability of Democratic Institutions

Democratic institutions – such as parliament and local councils – formally exist and elections are held regularly, but Morocco’s political system remains an authoritarian monarchy. The directly elected parliament cannot legislate independently from the monarchic institution. Informal politics and various forms of pressure and influence on members of the parliament are employed by the regime to control the legislative institution. Cooptation of the members of the parliament is also common. Importantly, the king continues to convene, preside over and set the agenda for the

Civil rights



Performance of democratic institutions

2

council of ministers. This body has to approve a bill before parliament can consider it. The king also appoints the secretary-general of the government, who has the rank of minister and can block laws even after parliament's approval by claiming incompatibility with other laws or the constitution. If the king puts his weight behind particular laws, political parties do not risk contesting these laws, as was shown in the Islamist party's approval of the reform of the personal status code in 2003, a bill that it had opposed vigorously before it became a royal initiative. The same applies to municipal governments where policies and budgets have to be approved by the governor – who are appointed by the king. At the same time, democratic institutions are weaker than they could be from a constitutional point of view as the national government and municipal councils include a multitude of parties preoccupied with infighting over ministerial and other political posts and resources.

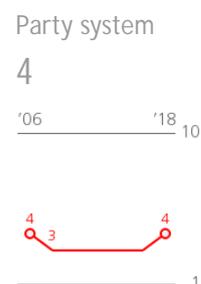
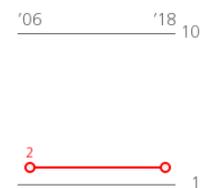
At the level of discourse, the Moroccan regime is committed to an – as yet unspecified – democratization process and judicial independence. This remains true after the constitutional reforms introduced by the monarchy in 2011. These reforms were intended to placate protesters of the “February 20” movement and contain rising pressure for reforms in the context of the “Arab Spring.” That the latest reforms are again not touching on the real distribution of power in Morocco indicates a weak commitment to democratic reforms from Morocco's most powerful actor.

Most Moroccan parties have become unable to propose alternatives to what the monarchy offers, and have therefore become more subservient to the regime, if not fully co-opted. This helps sustain the undemocratic system, since the major parties benefit from the political status quo.

5 | Political and Social Integration

The Moroccan party system has become less fragmented over the past years. In the 2016 parliamentary elections, only 12 parties won seats in parliament, compared to 18 in 2011. Importantly, there is a clear trend toward consolidation into two major parties, the Party of Justice and Development (PJD) and the Party of Authenticity and Modernity (Parti Authenticité et Modernité, PAM). Both won a substantial number of additional seats in the 2016 elections, whereas all other parties lost seats. These two parties now hold around 50% of all seats – a level of concentration new to Morocco. Nonetheless, there are significant internal divisions, especially in the PAM, which has no coherent ideology to offer.

Cooperation between the two parties is very unlikely. The PJD has its roots in the Moroccan Islamist movement and continuously increased its seats since first entering the parliament in 1997. With its victory in the 2011 elections, it has also followed the historical path of opposition parties and been co-opted into government. While in government, the PJD has not been able to follow through with substantial reforms. During the campaign for the 2016 parliamentary elections, the PJD sought to restore



its opposition credentials by making references to “tahakoum,” a term that captures the parallel non-elected power in Morocco. It is, however, unlikely that this rhetoric will translate into actual attempts at reform during the PJD’s second term in office. The PAM, meanwhile, is a regime creation organized around Fouad Ali al-Himma, a close associate of King Mohammed VI. It has absorbed many politicians from other parties who are attracted by the PAM’s proximity to the monarchy.

Municipal councils became less fragmented in 2009 when a 6% electoral threshold was introduced. This threshold decreased the number of parties in a typical municipal council from ten to four.

With the exception of the PJD, which has generally invested more in organizational development than other parties, the degree of institutionalization of political parties is low. Parties tend to reproduce the autocratic system of governance within their own structures, becoming replete with elite infighting. There is also rare change of leadership in political parties. Both the leftists and nationalist parties are internally divided. Additionally, parties have little control over members of parliament, no voting discipline is enforced. Accordingly, the disaffection of voters with political parties is high. Data from the 2011 World Values survey shows that more than 70% of Moroccan respondents have “not very much or no trust at all” in political parties. Data from the Afrobarometer in 2015 also show that only about 10% see policy differences between parties in government and those in opposition, the remainder either sees no difference whatsoever (about 40%) or judges differences in terms of leadership personalities. Indeed, the PAM, the UC (Union Constitutionnelle, Constitutional Union) and the RNI (Rassemblement National des Indépendants, National Rally of Independents) do not stand to gain from democratic reforms as their electoral support is conditional on their closeness to the monarchy. The main leftist parties have also become instruments of the monarchical state.

Clientelistic linkages with voters remain a defining characteristic of the Moroccan party system. In rural areas, citizens typically vote for the local notable, regardless of her party label. Local notables switch parties often but they generally run for pro-regime parties as they need patrons at higher levels to preserve their interests. Clientelism in Morocco thus plays a stabilizing role for the regime and most parties benefit from it. In 2015, the government adopted a number of decrees aiming to equalize campaign spending across political parties in the local, regional and national elections of 2015 and 2016. As a consequence, only a few influential actors continue to push for democratic reforms. The leftist FGD coalition (Fédération de la Gauche Démocratique, Federation of the Democratic Left), which was explicitly campaigning for a constitutional monarchy and “true” separation of powers, obtained only 2 seats in the 2016 parliamentary elections.

Employer's associations as well as unions are represented in the upper chamber of the parliament. This chamber was introduced in the constitutional reforms of the 1990s. From the regime's point of view, it serves the purpose of curbing the influence of the lower chamber and thus has considerable prerogatives. However, its role vis-à-vis the monarchy is subject to the same limitations as the lower chamber.

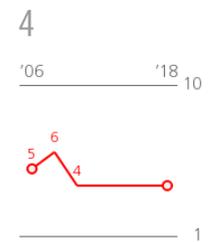
Trade unions often compete among each other, but cooperate occasionally. For example, in February 2016 the four largest unions successfully called for a 24-hour strike in all sectors to protest against plans to overhaul pensions and subsidies. In general, unions are affiliated with political parties and suffer from the same disaffection by the citizens. Compared to the early 1990s, when unions were able to organize massive strikes, their mobilization potential appears to have decreased. The mediation role of trade unions is moreover restricted by provisions of the labor code that prohibit the unionization of certain categories of workers. Union access to export processing zones is severely restricted. In 2016, Morocco adopted a law regulating work for domestic workers, including a minimum wage and limiting working hours. In contrast, there has been a major setback in terms of rights within newly created sectors. For example, both the food service industry and security firms are responsible for major violations of workers' rights such as long working hours without compensation and lack of health coverage.

The right to unionize and strike is often violated. In 2016, workers from "Maghreb Steel," who organized sit-ins to protest the dismissal of union representatives who had demanded wage increases, were violently attacked by police. In addition, workers across increasing sectors (e.g., workers in call centers and agricultural workers) are no longer unionized.

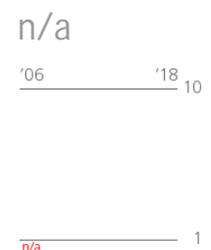
In addition to organized and incorporated interest groups, there are also important social interests that are not represented in formal institutions. These include illegal Islamist organizations and the youth movement that fueled the Moroccan Arab Spring protests.

According to a poll conducted by the Afrobarometer in 2015, support for democracy remains high among Moroccan respondents. Two-thirds of respondents agreed with the statement "democracy is preferable to any other kind of government." This confirms findings from previous surveys by the Arab Barometer and the World Values Survey going back to the mid-2000s, according to which large numbers of Moroccan respondents approve of democracy as a form of government. In turn, judgments about "how much of a democracy" Morocco is remain relatively stable, with about 50% of respondents stating that Morocco was not a democracy or a democracy with major problems. High abstention rates remained features in post-Arab Spring polls, leading the "ArabTrans" scholars of the University of Aberdeen to suggest in 2014 that "younger people may be increasingly disillusioned with Morocco's 'façade democracy'"; in the latest parliamentary (2016) and municipal

Interest groups



Approval of democracy

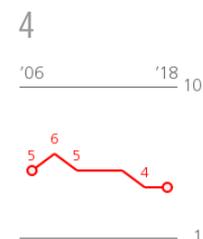


elections (2015) about 60% of registered voters stayed at home, indicating a continuing dissatisfaction with these elections.

Trust is low among Moroccans. According to the Arab Barometer survey data from 2013, 85% stated that “most people are not trustworthy.” Data from the World Values Survey in 2011 confirm this figure with the same share of Moroccan respondents stating that “most people can’t be trusted.” Among Arab countries, trust levels are among the lowest in Morocco. According to the World Values Survey from 2007, the picture improved considerably at the neighborhood level, where 48% of respondents trust people of the same neighborhood “completely.” New, directly comparable data on this question are not available, but according to the 2015 Afrobarometer and 2014 ArabTrans surveys, about 50% of Moroccan respondents feel at times unsafe in their neighborhood.

Membership in “voluntary associations” may have been increasing over the past years. According to the 2015 Afrobarometer, almost 15% of Moroccan respondents reported being active members of community groups compared to only 8% in 2013 (according to the Arab Barometer) or 3% in 2011 (according to the World Values Survey). Indeed, Moroccans appear to be keen on getting more involved, with about 35% of respondents indicating that they attended community meetings in the past year and another 40% stating that they would attend if they had the chance.

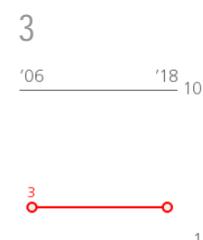
Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Morocco’s ranking according to the latest Human Development Index of 2015 was 123 out of 188 countries, in the bottom half of the group of countries with medium human development and well below the average both in the Arab region and among developing countries. A key reason behind this low score is Morocco’s extremely low literacy rate of 71.7%, mainly due to only 4.4 mean years of education. In contrast, life expectancy at birth tends to be higher than in its neighbors. Income inequality is average by international standards, with a Gini coefficient of 40.9, according to data from 2009. According to 2007 World Bank data, 14% of Moroccans live on an income below \$2 per day.

Question
ScoreSocioeconomic
barriers

In terms of gender inequality, the World Economic Forum’s Global Gender Gap Report 2016 assesses Morocco’s performance as particularly low, ranking it 137 out of 144 countries. Gender inequality is strongly driven by imbalances in literacy (81.9% male literacy rate, 62.0% female literacy rate, 2016 World Bank data) and labor force participation (27% in 2014). Whereas the gap in literacy has been

narrowing, the gap in labor force participation has remained constant over the last decade. Rural areas remain marginalized, with basic health, education and transport facilities unavailable. In the latest 2015 state statistics, 60% of the population resides in urban centers, a social reality that is creating new sets of social and economic problems.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	106825.6	109881.4	100593.3	101445.0
GDP growth	%	4.5	2.6	4.5	1.1
Inflation (CPI)	%	1.9	0.4	1.6	1.6
Unemployment	%	9.2	9.9	9.7	10.0
Foreign direct investment	% of GDP	3.1	3.2	3.2	2.3
Export growth	%	0.0	8.4	6.0	4.5
Import growth	%	-0.1	3.3	-3.1	10.2
Current account balance	\$ M	-7844.0	-6267.2	-2160.7	-4531.1
Public debt	% of GDP	61.7	63.3	63.7	64.7
External debt	\$ M	39263.3	42809.5	42990.4	46264.7
Total debt service	\$ M	5067.9	4771.6	3551.2	3806.7
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	19.9	19.9	19.2	18.9
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.0	2.0	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	3.8	3.7	3.2	3.3

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition is hampered by the regime's involvement in the economy. Much of the economy is dominated by the royal family and the so-called "500 families" who control large, multi-sectoral holding companies and are close to the monarchy. No investment, foreign or domestic, is possible in the subsectors in which the state has a monopoly (phosphates, hazardous waste management, wholesale fruit and vegetable distribution, fish halls and slaughterhouses, some postal services, and water and electricity supplies) or which are under private monopoly (wholesale importation and distribution of manufactured tobacco). Since the introduction of a competition law in 2000, freedom of pricing has become the general rule but price controls persist for sensitive products like sugar and bread. Morocco's investment charter guarantees currency convertibility for capital transactions, free transfer of profits and free repatriation of invested capital.

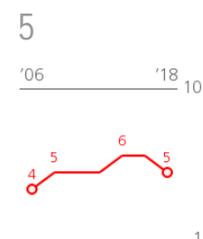
The 2016/2017 Global Competitiveness Report identifies the most problematic factors for doing business in Morocco: access to financing, low education of the workforce and inefficient bureaucracy. The least problematic issues were all related to stability: government instability, policy instability and crime. Clearly, the relative stability of Morocco relative to other countries in the region remains a key asset for attracting foreign investment. Several sectors have restrictions on foreign ownership, including transportation, insurance and maritime fisheries. Moreover, foreigners are not allowed to own agricultural land.

The informal economy is significant, quantified at roughly 40% of employment. The informal economy generates MAD 280 billion (\$33 billion) a year and continues to grow, according to a 2009 report of Morocco's Haut Commissariat au Plan. 57% of those in the informal sector work in retail, while 20% provide services.

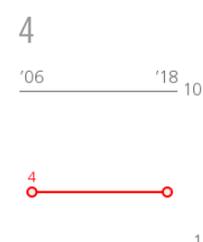
Morocco's Competition Council used to be a consultative body in charge of encouraging free competition, studying competition in the various sectors and delivering an annual report to the head of government. Cases and complaints could be referred to it by the government, parliamentary committees, judges, regional councils, chambers of commerce and state-approved consumer associations. The body is supposedly independent, but its president is officially nominated by the king. It is often considered an instrument for the executive to cherry-pick the anti-competition cases it is interested in prosecuting.

A law adopted in August 2014 provides for a stronger role for the Competition Council. The most important change is that the Council now has the power to investigate and impose sanctions. Moreover, the range of actors able to lodge complaints to the Council has been substantially increased, with the crucial addition of private entities. While international bodies have welcomed these measures, questions remain regarding the implementation of the reform. For instance, the

Market-based competition



Anti-monopoly policy



members of the newly empowered body still need to be nominated. It is thus uncertain how much of an effect these reforms will have in practice.

Under the United States-Morocco Free Trade Agreement (FTA) and Association Agreement with the European Union, Morocco has reduced its tariffs on imports from the United States and European Union. FTAs have also been signed with Tunisia, Egypt and Jordan and FTA talks with Canada are moving forward. Negotiations for a “Deep and Comprehensive Free Trade Area” (DCFTA) between the European Union and Morocco were launched on 1 March 2013. The DCFTA should include trade in services, government procurement, competition, intellectual property rights, investment protection and, most importantly, bring Moroccan legislation in line with EU legislation in all trade-related areas, including industrial standards and technical regulations as well as sanitary and phytosanitary measures. However, negotiations were halted following a European Court of Justice ruling in December 2016 that declared trade deals between the European Union and Morocco invalid insofar as they include the territory of Western Sahara.

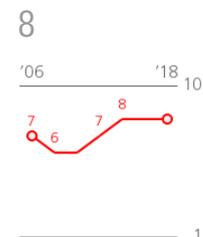
According to a 2016 WTO report, Morocco is among the countries with the most trade agreements. It has concluded ten trade agreements and implemented several trade reforms that have contributed to vigorous growth. For instance, since 2009, Morocco reduced the level of its average tariff protection from 20.2% to 12.5%. Morocco still imposes some tariffs at rates higher than the bound levels, but the number of items for which this applies has decreased quite substantially from 1,373 in 2009 to 792.

There are, however, substantial non-tariff obstacles to trade, among them lengthy procedures to obtain governmental permits and land approvals. A 2010/2011 study made in collaboration with the Morocco Ministry of Industry, Trade and New Technologies found that around 40% of the companies surveyed reported suffering from these types of constraint.

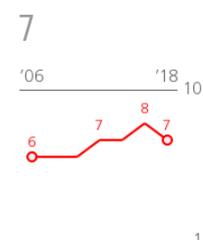
The Moroccan central bank historically has maintained a very cautious financial system. The Moroccan banking system adopted the Basel II standards in 2007 and, according to the IMF’s technical analysis, is successfully preparing to implement Basel III requirements (e.g., a counter-cyclical capital buffer regime). According to the 2016 U.S. Department of State’s Investment Climate Statement, the Moroccan banking system is highly concentrated, with five banks owning around 80% of the sector’s assets. In 2015, a legal framework paving the way for Islamic banking was created, with the Moroccan central bank charged with issuing licenses.

The Moroccan financial sector was relatively unaffected by the 2008 economic crisis due to its low exposure to foreign financial markets. Throughout the last years, the share of non-performing loans was around 5%, consistently below global averages. This is a substantial decrease from around 17% in the first half of the 2000s. However, according to the 2016/2017 Global Competitiveness Report, the soundness of the

Liberalization of
foreign trade



Banking system



banking sector has eroded slightly during the last years, from 5.7 in 2014 to 5.1 in 2016. The World Bank reports a bank capital to assets ratio of 8.9% (2014).

More generally, nepotism and the unwillingness of the financial regulatory bodies to clamp down on irregularities when committed by well-connected institutions remain concerns.

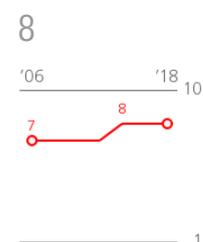
8 | Currency and Price Stability

Since a 2006 reform, monetary policy, which was formerly under the joint responsibility of the central bank (Bank al-Maghrib, BAM) and the Ministry of the Economy and Finance, has been under the sole responsibility of the BAM, thus increasing its independence. As it is the case with all Moroccan institutions, the authoritarian nature of the regime is an obstacle to real independence. The BAM responded to a relatively high inflation rate of 3.7% in 2008 by raising the interest rate to 3.5%. This measure helped bring down inflation to around 1%. Inflation has remained low (below 2%) since then. BAM cut its interest rate twice in 2014, leaving it at 2.5%, a record low for Morocco. After more than a year at 2.5%, rates were dropped even further in March 2016, to 2.25%. This was motivated by lower than expected inflation as well as an effort to boost growth after a heavy drought severely impacted agricultural production.

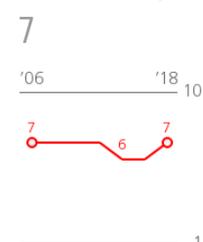
Morocco has a fixed exchange rate, pegged to a combination of the Euro and U.S. dollar. Consequently, the currency has been stable over the last ten years, with very little exchange rate volatility. As part of a plan to increase foreign investment, an increase in the flexibility of the exchange rate is being considered; the system under consideration is one where the exchange rate is allowed to fluctuate freely within predefined bands.

Whereas the country had weathered the global financial crisis relatively well, Morocco's performance was less successful in the first years after 2011, with government expenditure and debt increases. This was partly due to increases in the wage bill, a considerable increase in subsidies and long-term structural problems in the Moroccan economy. During the "Arab Spring," the Moroccan government attempted to buy social peace by spending 20% of its budget to subsidize bread, fuel and electricity. This brought Morocco's budget deficit to 6% of GDP in 2012. In a deal with the IMF that granted Morocco a \$6.2 billion precautionary credit line, the country agreed to bring its deficit down to 3% by 2017, largely by cutting subsidies. Since then, the budget deficit has indeed steadily declined and is expected to reach 3.5% by the end of 2016. According to the World Bank, this has been due to strong revenues and the continued reduction in consumer subsidies. Indeed, by the end of 2014, Morocco ended all fuel subsidies, although it still retains subsidies on sugar,

Anti-inflation /
forex policy



Macrostability



butane and wheat. Following the election victory of the PJD in the parliamentary elections of 2016, analysts expect further declines in the budget deficit.

The negative current account balance has mirrored the budget in recent years. The deficit increased during the 2000s to peak in 2012 at -\$9.5 billion (almost 10% of GDP), but declined to less than 1.5% in 2016. According to the World Bank, in addition to fiscal consolidation, the improvements in Morocco's external position are due to the growth of local industries (e.g., automotive).

9 | Private Property

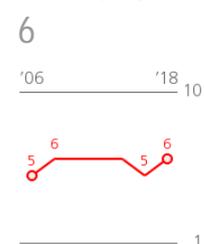
Property rights are well-defined under Moroccan law, but pervasive judicial corruption and the judiciary's lack of independence are major sources of concern regarding the enforcement of property rights. Moreover, the state has a policy of selling tribal land to property developers or international corporations. This land legally belongs to the state as it is the custodian of all communal land. However, the policy has led to the destruction of entire villages, such as Ouled Dlim and Ouled Sbita in 2014, where inhabitants received no or only nominal compensation. The Ministry of Interior has started a process of communal land registration, but it remains unclear whether this will have an effect on the privatization process.

According to the World Bank's 2017 Doing Business report, registering property has become easier in Morocco and the country's rank has continuously improved, standing in position 87 out of 190 countries. There has been a dramatic decrease in the time it takes to register property, from 77 days in 2013 to 22 days in 2017, and the number of procedures has also declined to 6 from 9 in 2013. These improvements imply that Morocco has now caught up (and even overtaken in speed of registration) with the average of Middle Eastern and North African countries.

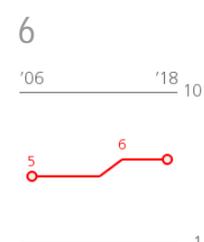
According to the World Bank's 2012 Doing Business report, Morocco improved its business regulation the most compared to other global economies, climbing 21 places to 94. Since then, starting a business has become easier. The 2017 Doing Business report places Morocco in the top three MENA countries, with only 4 procedures and less than 10 days required. Morocco now ranks 68th out of 190 countries; in comparison, neighboring Algeria ranks 156th. Additional measures taken that have made starting a business easier include streamlining registration procedures and reducing registration fees.

According to statistics by the Haut Commissariat du Plan, public sector employment has decreased slightly over time and accounted for around 8.4% of total employment in 2015. ILO data shows that public employment is substantially lower in Morocco than the average of MENA countries; the figure for Egypt, for instance, is 25%.

Property rights



Private enterprise



Historically, the privatization process of the 1990s mostly benefited the royal family and elites closely connected to them. Several sectors remain under public monopoly; in others, private companies face the competition of state-owned companies. These are concentrated in urban planning, housing, fisheries, agriculture and mining.

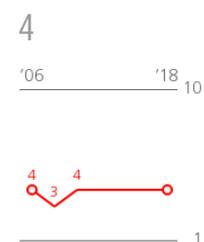
10 | Welfare Regime

Morocco's social safety nets remain inadequate. Only a small fraction of workers are affiliated with the compulsory social security scheme which obviously does not extend to the large workforce in the informal sector. According to the WHO, public health expenditure increased substantially during the 2000s, from around 1% of GDP to around 2%, but has remained roughly stable since. In the latest WHO figures from 2014, the Morocco's expenditure falls below the Arab World average of 3% and the global average of 6%. The quality of public health care is mediocre and cases of negligent deaths or mistreatment are regular occurrences. Rural areas suffer most from the lack of close and efficient health facilities. In 2012, Morocco's government launched RAMED, a project aimed at improving access to health care for low income citizens. This enables the beneficiaries to have access to basic health care in public hospitals and state-owned health services centers. Coverage has steadily increased. According to the National Agency of Medical Insurance, in April 2016, 9.2 million Moroccans benefited from RAMED, up from a reported 6.5 million in 2014. Currently, there are plans to extend the coverage of RAMED to regularized migrants in Morocco. Life expectancy at birth (70.6 years) is close to the average of the global population. Despite these successes, a large share of Moroccans remain without medical coverage and the health insurance system remains inefficient due to its fragmentation, according to a report by the African Development Bank.

For the majority of Moroccans, health problems still imply a lack of income and a potential slide into poverty. According to a poll made for the 2009 Arab Development Report, health conditions were the most important source of insecurity for Moroccans, followed by poverty and unemployment. Traditional solidarity networks have been eroded by rural-urban migration. Basic foodstuffs such as bread, sugar and cooking oil are subsidized. Social measures in Morocco often take the form of charity rather than of citizen rights; for instance, the distribution of food baskets by the king to the poor during Ramadan.

A pension reform bill was passed in July 2016, as part of attempts to reduce the budget deficit. The reforms include increasing the retirement age from 60 to 63. The reform was passed despite opposition from labor unions.

Social safety nets



Women's rights are seriously impaired in Morocco. Though the 2003 reform of the family code improved their legal status, the reform did not remove inequality regarding inheritance rights. The reformed code faces problems of implementation by conservative judges and illiterate women in the countryside are unlikely to know of its existence.

There is no specific law that prohibits domestic violence. Rape is criminalized under the penal code, but spousal rape is not. An important development in this respect has been the 2014 repeal of a law allowing a rapist to avoid prosecution by marrying the victim.

In the 2016 Gender Gap Index published by the World Economic Forum, Morocco ranks 137 out of 144 countries, placing below such countries as Tunisia, Jordan and Egypt, but above Saudi Arabia, Iran and Yemen. Its ranking has slightly eroded from 2014, when Morocco was 133 out of 142 countries. The index has components assessing gender gaps in health, education, the economy (e.g., labor force participation), and politics; Morocco scores worst for gaps in the economy and politics.

For the last ten years, female labor market participation has stagnated around 27% (compared to 78% for men), one of the lowest rates in the MENA region, which itself displays very low rates in international comparisons. There are also significant disparities in literacy: only 62% of women know how to read and write, compared to 82% of men. This gap narrows slightly among younger generations, but is far from closed (among 15 to 24-year-olds: 74% female literacy, as opposed to 90% male literacy). Women predominantly work in low paying jobs in the textile industry, agricultural sector or as domestic workers. Many women are also involved in informal economic activities.

A women's quota, first introduced in 2002, increased the number of female members of parliament. In the 2009 municipal elections, a gender quota was also applied, with women competing on separate lists. The current parliament (from the 2016 elections) includes 81 women (20.5%), 60 of which come from a national list reserved for women. These measures did not involve a transfer of power to women, but rather an inflation of the total seats. Such reforms are part of a regime strategy that appropriates women's topics as a way to improve its image.

In addition to significant gender disparities, there are substantial differences in the living conditions of urban and rural communities. Poverty rates are on average three times larger in rural areas. Schooling opportunities are lower in rural areas, with many children dropping out of primary school.

There are also large disparities in class. Recent research shows large differences in health indicators depending on the wealth level of the family. For instance, in 2011 only 7% of children living in the richest quintile were recorded as stunted, while the

Equal opportunity

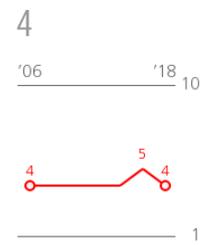


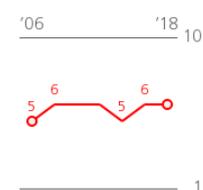
figure was 28% for children living in the poorest quintile. Evidence suggests that these differences have not improved since the beginning of the 2000s.

11 | Economic Performance

Since the early 2000s, economic growth has been relatively healthy, generally between 3% and 6% per year. The country's economy remains dependent on agricultural output, with better or worse agricultural years leading to faster or slower growth. Forecasts for GDP growth in 2016 are relatively low, at 1.6% according to the World Bank, owing to a large contraction in agricultural output following a drought in the fall of 2015. Given that the population is growing at around 1.4% per year, growth in GDP per capita has been lower, ranging from 1.5% to 4.5%. Inflation has remained stable at around 2%. Unemployment has held relatively stable around 10%. The figure for urban youth, however, is much higher, with 38.8% recorded in 2016. Moroccan exports appear to have recovered in the last years from a drastic decrease in 2009. The country has also recovered from a dramatic halving of foreign direct investments (FDI) that occurred between 2008 and 2010. From 2012 onwards, FDI flows into Morocco began to rise again. In 2013, Morocco was the recipient of the largest amount of FDI in the Maghreb region. Since then, FDI levels have stabilized.

Output strength

6



12 | Sustainability

Despite increased acknowledgment of ecological fragility, water use and soil degradation remain key environmental problems. Another major environmental challenge is the use of pesticides and fertilizers in the agricultural sector, which is well-connected with the closest circles of power.

Environmental policy

6



An ambitious National Charter for Environment and Sustainable Development was announced in 2010. Among other things, it set specific goals (e.g., increasing wastewater recycling to 96%). It was only in April 2014, that an environmental framework bill was passed to develop a national environmental strategy. The most tangible measure of this bill is the establishment of an ecotax on plastic bottles, expected to raise between MAD 150 and MAD 180 annually; these funds are to be used for environmental projects, notably recycling. In July 2016, Morocco officially banned the production and distribution of plastic bags, although analysts warn it will take a long time for citizens to fully comply with the ban.

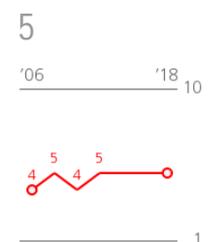
In 2016, Morocco hosted COP22, a United Nations climate change conference. Coinciding with the conference, the Adaptation of African Agriculture initiative was launched to propose measures that help small farmers in Africa cope with the consequences of climate change. It remains to be seen whether this initiative will have any relevant impact. Domestically, the King launched the Plan Maroc Vert in

2008, which was supposed to encourage eco-friendly agricultural practices and boost productivity. The plan succeeded in increasing output in some sectors, but failed to lead to substantial increases in exports. The Plan Maroc Vert also promoted renewable energy, particular solar energy. In the past years, Morocco has made important steps in solar energy production. At the end of 2014, Morocco only had one solar power facility, with a capacity of 20 megawatts, but an additional facility, with capacity to generate 160 megawatts, came online in 2016. Tenders have been launched to construct two facilities with a combined capacity of 800 megawatts in what will probably become the largest solar plant in the world. These are indeed relevant steps in decreasing the country's reliance on coal and, more generally, imported energy.

Achieving universal literacy remains a challenge for Morocco. Compared to neighboring countries such as Tunisia, the expansion of education was rather limited after independence. This led to relatively high rates of illiteracy, particularly in rural areas. In the last decades, strong efforts have been made to increase enrollment, with considerable success. Current literacy rates among the young are high (94% of 7 to 12-year-olds in 2014, according to the 2014 census, compared to 80% in 2004), but overall adult literacy rates remain comparatively low at 68% (though rapidly rising from 57% in 2004). Despite the success in enrollment among the very young, dropout rates remain relatively high, with only 53% of middle school students progressing to high school. There are also substantial gender differences in educational attainment. Whereas enrollment rates among 7 to 12-year-olds is similar for boys and girls (95.7% for boys versus 94.4% for girls, according to the 2014 census), differences increase at higher levels of education, with a girls to boys ratio of around 0.85 according to the World Bank.

Improving the quality of education is another major challenge for the government. A report by the Higher Education Council in Morocco found that only around one-third of primary school students in sixth grade had the required basic reading skills. Results from TIMSS, a homogenous mathematics and science test performed in 49 countries in 2015, showed that Morocco ranked 47 out of 49 participating countries in fourth grade mathematics, below Jordan, Iran and Indonesia, though above Kuwait. Part of this low level of achievement is attributed to high levels of teacher absenteeism. Since 2009, a number of programs targeting education quality and dropouts have been implemented, often in partnership with USAID or the World Bank. The government's Education Emergency Program 2009 – 2012 targeted the effectiveness and efficiency of service delivery and educational outcomes through an increase in primary net enrollment rate, secondary net enrollment rate and completion rate for grades 1-9. Morocco has also started a conditional cash transfer program for education to keep boys and girls in school, particularly in underprivileged and predominantly rural areas. According to the World Bank, these programs did not meet all their targets but were successful in increasing the net enrollment rate and teachers' in-service training. In November 2014, the Ministry of Education and Vocational Training announced a

Education policy /
R&D



new program Vision 2030, that puts the emphasis, among other things, on integrating general education with vocational training. With an education expenditure of more than 5% of GDP, Moroccan education spending is above average. In contrast, spending on R&D is low. The quality of Moroccan research institutions continues to be ranked toward the bottom of both the world and Middle Eastern and North African countries by the World Economic Forum.

Governance

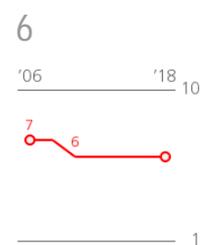
I. Level of Difficulty

Young people in Morocco make up 30% of the population. Their levels of exclusion are high: New data from the World Bank show that the economic inactivity rate for youth aged 15 to 24 years is almost 70%. Of those participating in the labor force, almost 30% of Moroccans between 15 and 29 years of age are unemployed, with a majority of them being uneducated city dwellers. The economy still relies heavily on agriculture, accounting for between 13% and 16% of Morocco's GDP, and employs 40% of the workforce. The vulnerability to rainfall fluctuations makes long-term planning by the government more difficult. The informal sector in Morocco accounts for an estimated 40% to 80% of non-agricultural employment. Morocco is also struggling with poverty. Although absolute poverty decreased to 9% according to the World Bank, another 12% of Moroccans are living just above the poverty line. Among the most problematic factors (access to financing, low education of the workforce and inefficient bureaucracy) highlighted by the expert survey on doing business from the 2016/2017 Global Competitiveness Report, the low education of the workforce is the most structural constraint, as it is difficult to improve and can only change slowly.

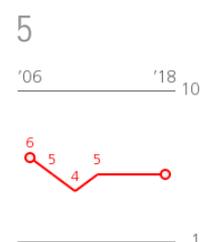
Rural infrastructure, such as roads and access to water and electricity, has been increasing over the last decade. Morocco is also strategically located; its proximity to Europe allows it to be a top touristic destination.

Civil society activities encompass a wide spectrum from politics, society, and economics to the environment. NGOs, especially human rights and women's organizations, have a long-standing history in Morocco with the first human rights organizations being established in the 1970s. Since the 1990s, NGOs have flourished. According to 2007 figures from the Haut Commissariat du Plan, the country has more than 40,000 NGOs. At that moment, the median age of NGOs is four years and the majority are youth organizations. Around two-thirds are development-, sport- and culture-related organizations. In recent surveys, more Moroccans indicate some form of membership in voluntary organizations. Including "inactive members," the figure is 25%, a high share of the population compared to previous surveys that put the figure well below 10%. NGOs are encouraged by the regime, partly as a strategy to

Structural
constraints



Civil society
traditions

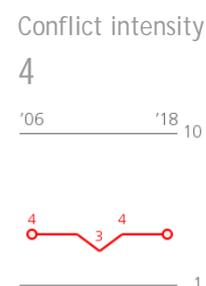


marginalize political parties. Only pro-regime NGOs receive public funding (e.g., the Mohamed V Foundation for Solidarity).

Social trust is very low among Moroccans. According to data from the early 2010s, more than 80% of Moroccans believe that most people cannot be trusted. While newer, comparable data, for social trust is not available, it is unlikely that the country has seen dramatic improvements. Trust in political institutions is, according to new data from the ArabTrans project among the lowest in the Middle East and North Africa.

The Western Sahara conflict remains the biggest source of tension, though it is limited to the annexed territories. There has been a recent swell of tension with incidents such as the expulsion by Morocco of 73 members of MINURSO, the U.N. Mission for the Referendum in Western Sahara. The great majority of Moroccans appear to agree with the regime's claim to these territories. Demand for greater cultural rights by Amazighs, especially regarding language have largely been met in the last decade. The 2011 Moroccan constitution additionally recognizes Tamazight as an official language and legislation was adopted in 2016 that provides for the use of Tamazight in official documents and its gradual introduction in state institutions such as schools and the parliament. There are no other major cleavages in Morocco that would mobilize large numbers of the populace. However, countrywide protests erupted after the suspicious death of a fisherman (crushed in a garbage truck) in al-Hoceima on October 28, 2016. These protests have remained largely peaceful and expressed existing social tensions.

The threat of terrorist attacks remains high in Morocco. In April 2011, 17 people were killed in a bomb attack in Marrakech. This was the deadliest attack since the 2003 Casablanca terrorist attacks which left 45 people dead. The government anticipates challenges from Moroccan fighters returning from Syria and Iraq, but has not yet effectively addressed the issue.



II. Governance Performance

14 | Steering Capability

Economic modernization and liberalization are clearly prioritized over political reforms that would challenge the regime. For the elected government, it is difficult to set long-term priorities because of its lack of initiative and structural power vis-à-vis the monarchy. For example, when the Islamist PJD took the leading role in a government coalition, the government included technocrats more responsive to monarchical circles and parties such as the Popular Movement. Most importantly, the

Question
Score

Prioritization
5

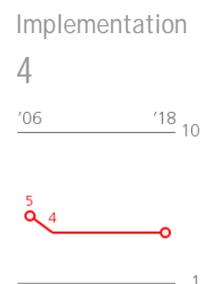
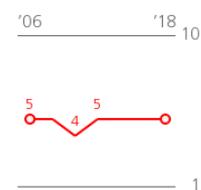
government's unequal power relationships with the monarchy makes it less relevant when it comes to decision-making processes in strategic policy areas. Key policies are decided by the monarchy, which either "urges" the government to set them in motion or directly bypasses the government with royal commissions. In addition, many political parties are not dedicated to any political program.

There is a flurry of reform/development activities and political initiatives in Morocco, but their prioritization, coherence, sources of funding, let alone the leadership's dedication to these policies is not always clear. The priority of political reform initiatives, such as the 2011 constitution, is particularly unclear. Such reforms are often used to appease the international community or protesters, but the political will to implement them is low. As such, they are heavily publicized as a priority, but end up not being treated as such. In addition, the regime has a penchant for high profile projects that do not benefit the population at large. An example is a high-speed rail connection between Tangiers and Khenitra at a price of €2.2 billion that is projected to be operational from 2018; given the limited purchasing power of the average Moroccan, the risks is high that ticket revenue will not cover operational costs and government will be required to continuously subsidize the venture.

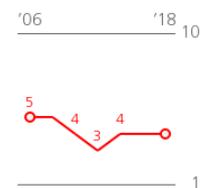
The implementation of economic reforms has generally been more successful than the implementation of political ones, which have less support from powerful actors. The PJD government is trying to slowly put some reforms of a technical nature into place but they have been reluctant to push for political reforms. Overall, Morocco does not lack reform or development initiatives but many strategic plans or National Charters remain ambitious projects with little follow-up. Some initiatives become severely diluted once they reach the implementation phase. For example, the Equity and Reconciliation Commission was established to redress injustices from state abuses of the 1970s and 1980s, but did not allow victims to publicly name perpetrators. Other proposals are seriously delayed when the moment of implementation is reached (e.g., the upgrade of the Central Instance for Corruption Prevention). Even the reform of the personal status law, a landmark under the reign of King Mohamed VI, has been criticized for lack of financial support and implementation. No significant resources have been devoted to informing Moroccan women about the reform. Women seeking child support require expensive and, largely unavailable, paternity tests.

When reforms do not threaten the political status quo, policies can be successfully implemented. This is the case in the budget deficit decrease and associated reforms of recent years, including the pension system reform, which was implemented despite opposition from some groups.

The Moroccan government is not particularly flexible nor innovative, but this results more from a lack of a political will than from a technical incapacity or lack of know-how. There is broad consultation of international experts on a wide variety of policy issues, but when recommendations collide with regime interests, they are not



implemented. In contrast, the monarchy is very apt at learning which policies are acceptable to Western governments and which are not. Repression of journalists, for instance, is now enacted via the judiciary or via a “boycott” of companies rather than the Ministry of Interior. Elections are manipulated through gerrymandering, the toleration of vote-buying and post-election intervention in the formation of a government coalition. In the latter, the monarchy ensures that no ideologically coherent and politically powerful government comes into office. The monarchy also reacted swiftly to protests in the context of the “Arab Spring.” By taking the initiative with constitutional reforms that have no real bearing on political power in Morocco but that eliminated domestic and international pressure, the monarchy was able to pre-empt any real threat to maintaining power in Morocco. When the political status quo is not threatened, however, certain innovative initiatives do result (e.g., the country’s ambitious plan to harvest solar energy).



15 | Resource Efficiency

Morocco has around three-quarters of the world’s reserves of phosphates, which constitute its most important natural resource. According to the National Resource Governance Institute, Morocco ranks 25 out of 58 countries in the governance resource index, receiving mediocre ratings in terms of its incomplete regulatory framework and lack of transparency.

Efficient use of assets

4



The Court of Auditors published information regarding the financial mismanagement of public companies such as Royal Air Maroc and the National Office for Drinking Water Supply, government projects such as “Maroc Numeric 2013,” and the management of public services such as waste removal and transport. There is lack of transparency in budget data. According to the 2015 Open Budget Survey, only minimal information on the government budget is available to citizens upon request. Morocco’s decentralization program has not experienced a devolution of power, resulting in expensive double structures where every representative institution (e.g., municipal council), is monitored by the equivalent of a regime-appointed executive. Other examples typical of the costliness of Moroccan politics are the women quota in politics and a 2013 cabinet reshuffle. For the women quota, Morocco inflated the number of parliamentarians and local councilors to allow for exclusive female seats rather than reassigning existing seats to women. The cabinet reshuffle of 2013 increased the number of ministers from 31 to 39.

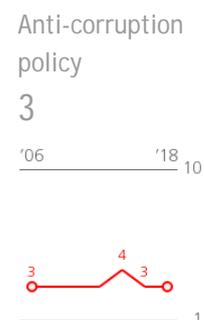
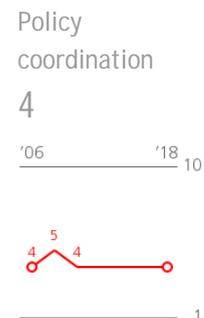


Personal connections play a large role in civil servant recruitment although this does not necessarily imply that unqualified civil servants are hired. However, ministries as well as local municipalities struggle with large number of “ghost civil servants” (i.e., employees on their payrolls who do not work). This topic created a stir in 2013 when the Ministry of Education published a list of more than 500 such civil servants in its ministry alone. No concrete measures have been taken to tackle this problem.

The government has launched some e-government measures to increasing efficiency and reduce the scope of corruption and bribes in the civil service. For instance, a portal was launched that allows citizens to access several public services. According to a report by the OECD, however, the use of the service remains limited.

In the structures of the Moroccan political system – a governing monarchy that dominates an elected government – lack of coordination is programmed. The high level of fragmentation of the party system leads to additional political conflicts around issues that are generally technical and to which the monarchy is immune. A Moroccan government typically consists of numerous parties that rather than working together and being united by a common policy vision, compete against each other for ministries, proximity to the palace or government resources that they can hand down to their supporters and local constituencies. The problem is compounded by the existence of “ministries of sovereignty,” which answer to the king. This also remains the case for the latest Moroccan government. Although the Islamist Party of Justice and Development (PJD) is clearly dominant in terms of seat shares and cabinet seats, the current government coalition includes liberals, ex-communists and conservative monarchists and has already demonstrated that it is not united by a joint social and political vision. The lack of coordination between the elected and “sovereign” elements of the government was well illustrated when the PJD prime minister had to pressure the Ministry of Interior to make public vote information from the 2015 municipal elections. While the latest parliamentary elections have delivered a somewhat less fragmented parliament, the government will still need to be a broad and disparate coalition. As such, the challenges of policy coordination will remain.

In 2008, the government had created an anti-corruption agency, the Central Instance for Corruption Prevention (CICP), which has an advisory role toward public, private and non-governmental actors in policies to prevent corruption. Lacking the required investigative and sanctioning powers to adequately pursue corruption charges, it remained toothless. At the same time, the CICP has been behind a number of initiatives, one of which was implemented in 2012: the Moroccan parliament passed a law to protect trial witnesses and experts as well as whistleblowers who report corruption. Yet, individuals are still confronted with various challenges when they do report on corruption. In early 2015, parliament voted to replace the CICP with a new body, the “Instance nationale de la probité, de la prévention et de la lutte contre la corruption” (INPLC). This new body would suffer from the same limitations as its predecessor. It also depends on the good will of the administration to access information. Moreover, it has not yet been constituted. Although the new constitution of 2011 defines the Court of Auditors as “the supreme institution of public finance control of the kingdom,” it continues to lack independence. While the Court of Auditors publishes well-documented reports about mismanagement and does not shy away from pointing the finger at mismanagement in public spending, royal economic circles are beyond its reach. For example, although the Court of Auditors is legally



required to examine the accounts of the Office Cherifien des Phosphates Group, it has never done so.

Parties receive most of their funding from the state and are audited by the Court of Auditors. In 2015, most of the court's critique pertained to insufficient documentation of spending. Parliamentarians have so far resisted legislation that would require them to declare their assets. Citizen access to information and ability to monitor state spending is weak.

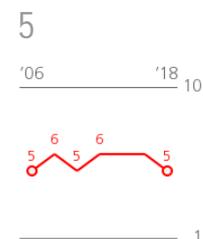
Corruption is also rife in the interactions of citizens with state agencies. According to the "People and Corruption" survey by Transparency International, approximately half of Moroccans reported having paid a bribe in 2015. Most bribes were reported to have been paid to the judiciary, followed by the police and hospitals. Indeed, according to a separate survey from the Haut Commissariat du Plan, more than half of respondents believe that corruption is getting worse.

16 | Consensus-Building

Morocco is a liberalized autocracy, so there is no consensus on democracy. All the political parties fall within the autocratic orbit of the monarchy. While the PJD is generally in favor of some reforms because it would increase its political role, the party has been more concerned with normalizing its relationship with the monarchy, a factor that is beginning to negatively affect the party's image. All other parties are less sanguine about democracy because they benefit from the current system of patronage. At any rate, the most important actor in this regard, the monarchy, has shown no intention of initiating meaningful constitutional reforms. As had previously been the case, the Moroccan monarchy drafted the latest (2011) constitution with a handful of advisers and some consultation with political parties and civil society actors orchestrated by the regime. Since the new constitution came into force, Moroccan politics has shown that constitutional provisions regarding judicial independence, greater parliamentary power and the elected government have no bearing on political outcomes. In contrast, the parties have become so weak that they do not represent a political alternative to monarchical initiatives.

All key actors – the king and all major parties – are essentially in favor of a market economy. At the same time, King Mohammed VI is Morocco's most important businessman, so rules are informally bent in favor of royal companies. Forbes Magazine put the king's net worth at \$5.7 billion in 2016, the fifth richest person in Africa, a noteworthy fact given that the country is relatively poor and has – besides phosphates – no relevant natural resources. In addition to his estates, the monarch's main source of wealth is the Société Nationale d'Investissement (SNI), the biggest private corporation in Morocco, which holds stakes in many companies. Though all parties generally adhere to market principles, there are some differences. The 2016 parliamentary elections ended up as a contest between the PJD and PAM, which to a

Consensus on goals



certain extent represent urban versus rural electorates. Whereas the PJD has passed IMF-sanctioned market-friendly reforms (e.g., reducing the budget deficit and increasing the retirement age), the PAM built its campaign opposing them. It is unclear, however, whether the PAM would enact different types of policies if in power.

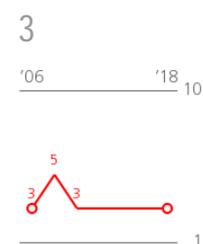
Since the political opening of the late 1990s, reformers have either been co-opted or sidelined by the regime. The historical reform actors, the Istiqlal party and the Socialist Union of Popular Forces, were successfully co-opted into government from 1998 onwards and have since not exerted meaningful pressure for democratic reform. Until 2011, the only remaining credible opposition party was the Islamist Party of Justice and Development (PJD). Since the 2011 elections, the PJD is leading the government and suffering the same fate as Istiqlal. By 2016, it had begun to lose ground and cave in to the hegemony and political will of the monarch. The difficulty of forming a government after the 2016 parliamentary elections indicates the gradual subjugation of the PJD by the monarchy – a major setback for any prospect for democratic reform. The only party actor with an explicit message of reform was the small leftist FDG coalition, which obtained very little popular support in the 2016 parliamentary elections. Protest movements occasionally pressure for democratic reforms, but the momentum of such movements seems to have decreased. The monarchy is resorting to its natural autocratic instincts unopposed by formal political parties.

Historically, the Moroccan regime has exploited and manipulated social cleavages to divide its opponents and position them against each other. As a consequence, it is the monarchy that manages cleavages between various actors. The left-Islamist cleavage is exploited to this end. The Amazigh-Arab cleavage, in contrast, has been managed with the goal of not generating a major Amazigh mobilization. Initiatives such as the recognition of Tamazight as an official language in 2011 have been successful in achieving this aim.

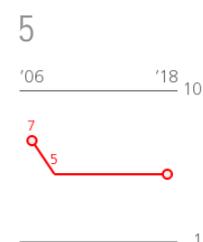
The key conflict is the dispute over the annexed territories in the Western Sahara. MINURSO, a U.N. peacekeeping mission, monitors a 1991 cease-fire between Morocco and the Polisario. This conflict does not represent a very salient cleavage within Morocco, as the monarchy has succeeded in making opposition to the official line extremely costly. However, it has strong implications for Morocco's foreign policy, with periodic outbursts of tension. Moreover, if Morocco's plans to formally integrate the territory come to pass, such a cleavage could become considerably more relevant domestically.

Civil society is welcome to contribute to policy formulation as long as it acts as a form of consultation. While NGO mobilization might have an impact, it does so through public pressure rather than direct consultation. One example is when Article 475 – which frees a rapist if he marries the victim – was to be changed in 2013. Public funding is mostly disbursed to NGOs that are less politically inclined (e.g., those

Anti-democratic actors



Cleavage / conflict management



Civil society participation

4

working on broader development issues and education). The regime-controlled national media mainly give voice to mainstream civil society actors. Accordingly, a civil society survey undertaken for the Civicus Civil Society Index in the early 2010s found that the actors felt that their impact was strongest in the fields of education, social development and assistance to the poor – all essentially uncontroversial policy issues. Morocco is also attempting to position itself as a country welcoming global civil society events (e.g., by hosting the World Climate Summit 2016). Dissenting opinions are at best ignored and at worst prosecuted, such as in the case of NGOs representing Sahraoui human rights activists or of those close to the Islamist Justice and Charity Organization (JCO).

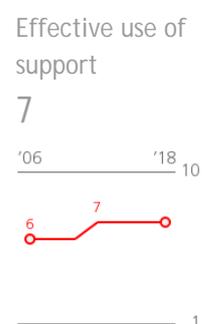
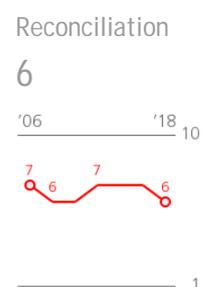
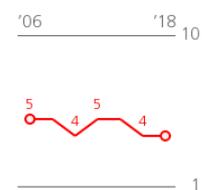
In January 2004, the king set up the Equity and Reconciliation Commission (IER) to address human rights abuses that took place prior to 1999, during the reign of his father Hassan II. The commission studied 16,000 cases and decided to compensate 9,779 victims. While unprecedented in the Middle East and North Africa and in principle a significant achievement, the commission's work was criticized on several main accounts. The commission failed to address the abuses perpetrated in the Western Sahara and it did not name the perpetrators of the abuses. Its denunciation of the security apparatus' lack of cooperation in its investigation carried no consequences. Many of its recommendations have not been implemented. According to a report by the U.S. Institute of Peace, some alleged perpetrators continue to hold high government posts. The National Council on Human Rights (CNDH) was created to follow up on the work of the IER. The CNDH is still active and continues to investigate some disappearances. According to the U.S. Department of State's 2015 human rights report, the emphasis of the CNDH has shifted toward reparation programs at the community level.

Victims in various cases of land grabs have not been sufficiently compensated.

17 | International Cooperation

Moroccan leadership is adept in seeking assistance for its policies from international donors and repeatedly secures major funds from the United States and the European Union. Following its various national, regional, and local development plans as well as special development plans for large municipalities such as Casablanca and Rabat, much progress has indeed been achieved in the development of the urban centers. The periphery, however, remains underdeveloped. The development of the Western Sahara remains a challenge so long as its legal status is not formally established.

Morocco is often hailed by Western countries for its (alleged) reform efforts toward democratization and role in counterterrorism. For example, Morocco's 2011 constitutional referendum was praised by the G8 as a "democratic process" although the constitution was drafted by a group of advisers close to King Mohammed VI and without much meaningful consultation from political parties, civil society



organizations and protesters. In 2008, Morocco was granted “advanced status” by the European Union. Morocco is the largest recipient of European Union funds under the European Neighbourhood Policy. In 2015, Morocco received €180 million of assistance under the European Neighbourhood Instrument (ENI). In 2013, Morocco and the European Union signed a Mobility Partnership that aims to steer migration streams. Senior U.S. officials also regularly stress the importance of close relations and of a “strategic partnership” between the two countries. A Bilateral Strategic Dialogue focusing on security issues was initiated in 2012. On the occasion of the latest “African Lion” joint military exercise, the U.S. ambassador to Morocco called the country “a staunch ally of the U.S. and a leader on issues of security.” According to USAID, the total amount of U.S. assistance to Morocco was \$70 million in 2016, around 22% being military aid.

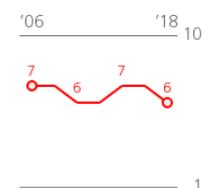
Morocco also receives financial support from the Gulf countries, with \$5 billion in aid scheduled from the United Arab Emirates, Saudi Arabia, Qatar and Kuwait until 2017. In 2016, however, Moroccan officials stated that the country had received less than a third of the expected aid.

Morocco is often viewed in the light of the violence and instability in the region, affording it a more favorable image. Even though the “Arab Spring” brought no genuine democratization to Morocco, it remains a preferred partner for Western governments in North Africa. The constitutional reforms of 2011 – although they did not touch upon the power base of the authoritarian monarchy – were sufficient to have Morocco recognized as a “country in transition” by the G8. This entails important economic support as well as political recognition for Morocco’s “democratic processes.” Political instability, violence or outright civil war in other MENA countries makes Morocco look like a better case scenario. In this context, Morocco’s political stability appears to Western countries worth supporting. The country, moreover, offers a buffer zone for migrants from Sub-Saharan Africa, a position that has become increasingly important for European partners in the context of the refugee crisis.

The European Union is pressuring Morocco to sign a readmission agreement for migrants, although Morocco is known to deport even UNHCR recognized refugees to the Algerian border. Negotiations for such an agreement started in 2000 and have continued over several negotiation rounds since; the 2013 Mobility Partnership has not ended the negotiations, though. The ongoing Western Sahara conflict appears to be the only serious challenge Morocco faces in its dealings with the international community. Tensions have increased following a recent spate of incidents which put into question the international acceptability of Morocco’s claims in the conflict. In December 2016, the European Court of Justice’s ruled that European Union-Morocco trade agreements cannot be applied to the Western Sahara territory. Earlier in the year, the U.N. Secretary-General Ban Ki-moon referred to the Western Sahara as

Credibility

6



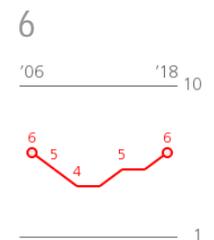
territory “occupied” by Morocco, prompting Morocco to expel 73 staff of MINURSO, the U.N. mission in Western Sahara.

Moroccan diplomacy is mostly characterized by realism and strong concerns about its relations with Europe and the United States. Morocco-European Union relations suffered a historic low in 2016. European partners appear divided, with the French pushing for continued close relations and other countries adopting a more critical stance over the Western Sahara.

During the last five years, Morocco has aimed to diversify its international relations. It began by tightening its links with the Gulf countries, which are important investors and promised significant amounts of development aid. They also back Morocco’s claim to the Western Sahara. In 2011, a strategic partnership was established with the Gulf Cooperation Council, though it has yet to lead to any actions or institutional framework. In a significant departure from the past, Morocco rejoined the African Union in January 2017, after having left it in the 1980s because of its recognition of the Sahrawi Arab Democratic Republic. This readmission must be seen in the context of Morocco’s objective to expand economic cooperation with West African countries. In 2016, King Mohammed VI visited six African countries, including Nigeria, one of the continent’s leading economies. Morocco seeks to become a regional platform for production and export to other African countries through Casablanca Finance City (CFC), a new regional finance hub which grants companies lower income tax rates and other incentives.

Relations with Algeria have long been hostile. In 2011, King Mohammed VI and Algeria’s President Bouteflika emphasized the need for better relations and several economic agreements were signed. However, the borders between the two countries have remained closed throughout the last years although observers agree that both countries would benefit economically from legal cross-border trade.

Regional
cooperation



Strategic Outlook

Constitutional reforms followed a wave of pro-democracy protests in 2011. Nonetheless, an entrenched neo-authoritarian system and the absence of a pro-democracy reform coalition within formal political parties continue to obstruct meaningful political transformation in Morocco. The monarchy has repeatedly weakened the political opposition by co-opting major parties into government; a strategy it employed in the late 1990s and, more recently, with the Islamist Party of Justice and Development (PJD) following the 2011 parliamentary elections. The PJD is not a threat to the monarchy, but rather serves to further the regime's guise as a champion for moderate Islam. The PJD, as its predecessors, has struggled with building a governing coalition among ideologically diverse and self-interested parties. Following the October 2016 elections, it remains unclear whether the PJD will again be able to form a government. Talks with various parties have failed and its closest political competitor, the pro-monarchy Authenticity and Reform Party, is mobilizing against it.

Human rights violations, lack of press freedom and the harassment of human rights NGOs continue to be worrying trends. These deficiencies have mainly attracted the attention of human rights organizations and press freedom watchdogs, but have not been properly taken up by intergovernmental actors. The ongoing disinterest of other governments signals their tacit toleration. In the wider regional context, Morocco's political stability is likely to become even more valuable and further insulate the regime from critiques of its civil and human rights records.

Economic transformation is well under way in terms of liberalization and, to a lesser extent, market regulation. The consistently low level of inflation and the PJD-led government's budget reforms bode well for macroeconomic stability in the near future. Morocco's economic stability as well as political constancy within a volatile region will continue to attract foreign investment. In contrast, social safety nets and human development remain key challenges for Morocco. Health, unemployment, and poverty are seen as major sources of insecurity by Moroccans and must be forcefully addressed by the government. Urgent policy interventions are also required to address illiteracy, gender inequality and socioeconomic divides between rural and urban communities.