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Delegations will find attached the above document, partially declassified (first part¹).

¹ See also EXT 1 ADD 1-5.



MEGAPESCA Lda

FRAMEWORK CONTRACT FISH/2006/20

**SPECIFIC AGREEMENT NO 26: EX-POST EVALUATION OF
THE CURRENT PROTOCOL TO THE FISHERIES
PARTNERSHIP AGREEMENT BETWEEN THE EUROPEAN
UNION AND THE KINGDOM OF MOROCCO,
IMPACT STUDY FOR A POSSIBLE FUTURE PROTOCOL TO
THE AGREEMENT**

Report

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Annual exchange rates used

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|
| 1 EUR = MAD | 11.02 | 11.02 | 11.04 | 11.21 | 11.33 | 11.24 | 11.14 |

Source: FXTOP.com

List of abbreviations

| | | | |
|----------|---|------|--|
| ACP | African, Caribbean and Pacific States | ICES | International Council for the Exploration of the Sea |
| CA | Turnover | ICT | Information and Communication Technologies |
| CECAF | Fishery Committee for the Eastern Central Atlantic | IEO | Instituto Español de Oceanografía |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora | INRH | Institut National de Recherche Halieutique (National Institute for Fisheries Research) |
| COMHAFAT | Ministerial Conference on Fisheries Cooperation among African States bordering the Atlantic | IUCN | International Union for Conservation of Nature |
| DCF | Data Collection Framework | IUU | Illegal, Unreported and Unregulated |
| DCR | Data Collection Regulation | M€ | Million euro |
| DFI | Direct foreign investment | MAD | Moroccan Dirham |
| DPM | Département de Pêche Maritime (Sea Fisheries Department) | MECU | Million ECU |
| EEZ | Exclusive Economic Zone | NAFO | Northwest Atlantic Fisheries Organisation |
| EFF | European Fisheries Fund | NGO | Non-governmental organisation |
| EFM | Etablissement de Formation Maritime (Maritime Training Institute) | NIP | National Indicative Programme |
| EFTA | European Free Trade Association | ONP | Office National des Pêches (National Fisheries Office) |
| FAO | Food and Agriculture Organisation | PDA | Fish landing site |
| FMC | Fisheries Monitoring Centre | RSW | Refrigerated Sea Water |
| FTE | Full-time equivalent | SPS | Sanitary or Phytosanitary |
| FVO | Food and Veterinary Office | TAC | Total allowable catches |
| GDP | Gross Domestic Product | VA | Value added |
| GRT | Gross registered tonnage | VDP | Village de Pêche (fishing village) |
| ICCAT | International Convention for the Conservation of Atlantic Tuna | VMS | Vessel Monitoring System |

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INTRODUCTION

Fisheries relations between the Kingdom of Morocco and the EU are longstanding. Before Spain's accession, there were already agreements which allowed Spanish vessels access to Moroccan fishing zones. Under the exclusive competence of the Union in this field, it was logical for the Community institutions to take over these agreements, with a first Agreement concluded in 1988. This Agreement was renewed several times without interruption until 1999, when the two parties were forced to concede that the negotiations had failed.

The two parties decided to resume dialogue on the subject and, in July 2005, the EU and Morocco signed a Fisheries Partnership Agreement which would enter into force only in February 2007 after the ratification procedures. The Protocol to the Agreement expires in February 2011. Prior to the renegotiation of the Agreement, and following the Council guidelines and the provisions of the EU Financial Regulation, the present Protocol must be the subject of ex-post evaluation and an impact study to ascertain whether the results of the programme correspond to the objectives set (ex-post evaluation) and to provide the legislator with the means to judge whether a new programme (the future protocol) is necessary and consistent with the Union policies in this sector, by providing it with the tools to assess the impact of the policy. To this end, DG MARE assigned the evaluation of this Protocol to the consortium of undertakings holding the FISH/2006/20 framework contract.

The Fisheries Partnership Agreement concluded between the EU and Morocco is of particular importance in many respects. Firstly, its financial importance and the European fishing capacities which can fish in the Moroccan fishing zone. With provision for more than 100 EU vessels and with a financial contribution of EUR 36.1 million per year for four years, the Agreement with Morocco is the second most significant Community agreement with the countries of the South, far behind the agreement with Mauritania (EUR 85 million per year maximum) but exceeding the agreement with Guinea Bissau (EUR 7.5 million per year maximum), which is the third largest agreement in financial terms. The agreement with Morocco represents 25% of the budgetary commitments of DG MARE for bilateral fisheries agreements. Secondly, the agreement is important as it involves two partners with neighbouring, and in part common, frontiers which have chosen to strengthen their political links and to move towards progressive economic integration. The Association Agreement which entered into force in 2000 and the advanced status accorded to Morocco in 2008 constitute tangible evidence of this will to deepen relations.

This draft final evaluation report provides a general portrait of the Moroccan economy. It seeks to define the significance of the fisheries sector in the country's macroeconomic equilibrium. In part 2, the fisheries sector in Morocco is reviewed in order to present its main characteristics and to identify the absolute and relative contribution of the European part in its recent development. Finally, part 3 of this report uses the results of the first two parts to draw the main lessons of relevance for the ex-post evaluation of the Protocol and the impact study of several scenarios for renewal of the Protocol to the Agreement in progress so that a future protocol respects the international commitments of the two parties and minimises any unfavourable impact on the parties to the Agreement.

The key information for this evaluation study was collected by examining the relevant literature and supplementing this by talks with the Commission services, the Moroccan authorities, and the stakeholders of European and Moroccan civil society (primarily professional organisation). An assessment mission to Morocco was organised in September 2010, during which the experts were able to meet the Moroccan authorities and the EU delegation at Rabat, the research institute and national fisheries office in Casablanca, and various parties involved in the sector in Dakhla. These meetings in Morocco were held in an excellent spirit of cooperation and in full transparency. The mission thanks the Moroccan authorities for their availability and the assistance given for the organisation of the meetings in Morocco.

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PART 1: GENERAL FRAMEWORK

1 GENERAL PRESENTATION

1.1 Physical geography

Morocco, officially the Kingdom of Morocco, is a country located in North-West Africa and belonging to the Maghreb. Its political capital is Rabat, whereas its economic capital and largest city is Casablanca. The country is bordered by the Atlantic Ocean to the west, Spain, the Strait of Gibraltar and the Mediterranean Sea to the north, Algeria to the east and *de facto* by Mauritania to the south, beyond the Western Sahara which is in dispute. The country covers an area of some 710 000 km², of which 252 000 km² in the Western Sahara.



Figure 1: General map of Morocco and the Western Sahara. Source: Ministry of Foreign Affairs, France

The Moroccan climate is both Mediterranean and Atlantic, with a dry, hot season coupled with a cold wet season, the end of the hot period being characterised by the October rains. The presence of the sea mitigates the temperature differences, moderates the seasons and increases the air humidity (400 to 1000 mm of rain at the coast). Inland, the climate varies according to the altitude. The summers are hot and dry, especially when the sirocco or the chergui, a summer Saharan

wind, is blowing. During this season, the temperatures average 22°C to 24°C. The winters are cold and rainy with frost and snow. The average temperature then fluctuates between -2°C and 14°C and may fall as low as -26°C. The mountainous regions have very heavy rainfall (over 2000 mm of rain in Rif or 1800 mm in the Middle Atlas). Pre-Saharan and Saharan Morocco has a dry desert climate.

1.2 Population

According to estimates, Morocco's resident population in mid-2010 is approximately 31.8 million. The country experienced strong demographic growth throughout the 20th century, with its population multiplying six-fold. During the same period, the proportion of the population in urban areas increased constantly, attaining 55% in 2004: the country now has some thirty cities with more than 100 000 inhabitants, whereas there were none a century ago; and three agglomerations (Casablanca, Rabat-Salé and Fès) have more than one million inhabitants.

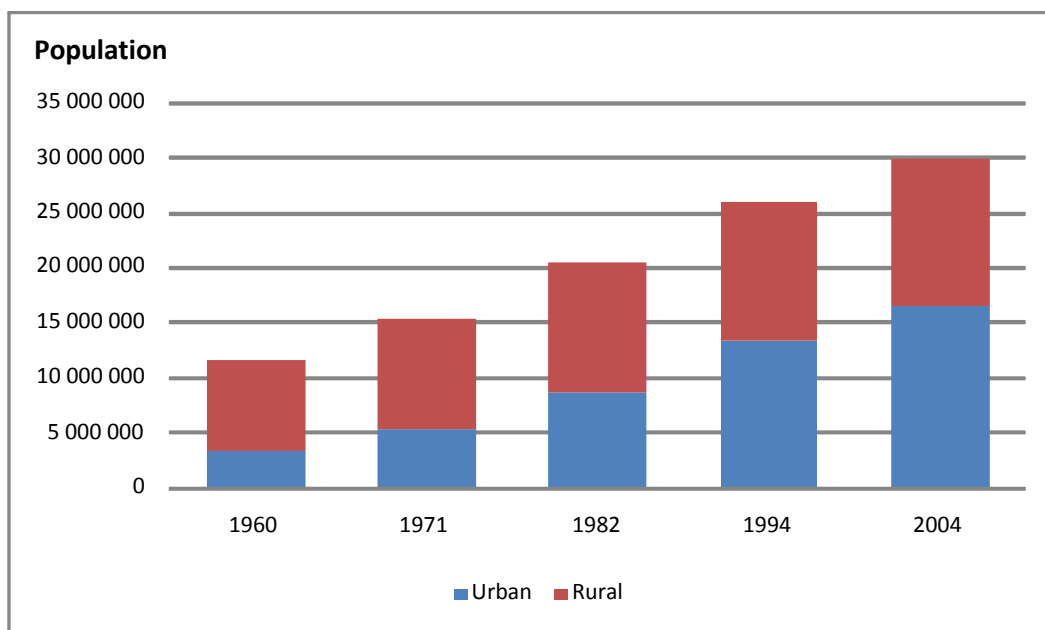


Figure 2: Trend in the Moroccan population according to censuses. Source: High Commission for Planning

The population of the Kingdom comprises almost as many men as women. The percentage of women is 50.7%. The proportion is the same in both town and countryside. By age group, 31.2% of inhabitants are under 15 years of age, 60.7% between 15 and 59 and 8.1% are 60 years of age and over. Compared to the 1994 census, the proportions of the population of working age and those of retirement age have increased to the detriment of the young, indicating a relative ageing of the population of the country. This phenomenon should be compared to the sharp fall in the total fertility rate from 7.2 in 1962, to 3.3 in 1994, then to 2.5 in 2004.

In 2008, the Moroccan diaspora was estimated at 5.2 million people spread over the five continents. Just under 85% of Moroccan residents abroad were at that time resident in Europe. France, in first place, accommodated 34% of the Moroccan expatriate community, i.e. 1.9 million people, of whom 31% in the vicinity of Paris. Then comes Spain with 917 132 residents, followed by Italy with 710 105, the Netherlands and Belgium, both with about 500 000. Germany and the United States total 140 000 and 250 000 residents respectively.

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2. MACROECONOMIC SITUATION

Morocco now belongs to the category of emerging countries, in the same capacity as India or Turkey. Morocco is classified by the United Nations in the lower middle income category of countries.

Morocco has a liberal market economy governed by the law of supply and demand, although for the time being some economic sectors are still State monopolies (although none in the fisheries sector).

The country's economic system is multi-faceted. It is characterised by considerable openness to the outside world, as shown by the various free trade agreements which Morocco has ratified with its main economic partners:

- the free trade agreement with the European Union in the context of the EuroMed partnership, also associating other countries of the continent bordering on the Mediterranean;¹
- the free trade agreement with the EFTA countries;
- the Agadir Agreement, signed with Egypt, Jordan, Tunisia, in the context of the establishment of the Arab Free Trade Area;
- the free trade agreement with the United Arab Emirates;
- the free trade agreement with Turkey;
- and recently the free trade agreement with the United States, which entered into force in 2006.

Morocco is the world's leading producer and exporter of phosphates. This product represents a significant inflow of foreign currency for the country. Concentrated in the north, 60% of farmland in this region is devoted to this activity, which is highly lucrative given the trend in world prices.

Morocco also exports significant quantities of handicraft products each year.

Cereals (wheat and barley) are cultivated on 50% of the arable land. These economically important crops are cultivated on the basis of two systems: one very modern and the other still archaic.

Since independence, the authorities decided to exploit the immediate possibilities offered by the country. The government policies had several objectives:

- Turning the rural and agricultural aspect of the country to effect in order to develop modern, efficient agriculture, despite the difficult climatic conditions plaguing the country, with a view to fuelling exports, the country's domestic markets and the agri-foodstuffs industry. It should also be noted that the fisheries sector was already making a large contribution to exports.
- The authorities have opted for large-scale exploitation of the deposits of phosphates, of which the country possesses about one third of the known world reserves, in this way leading to the establishment of a major chemicals plant for the processing and development of phosphates.
- The industrial processing sector has not lagged behind since the country is still seeking to attract a growing number of foreign investors. The government aims to strengthen several sectors, such as textiles, light processing industries, mechanical engineering industry, motor industry, pharmaceuticals, electronics, new technologies and recently the aeronautics sector thanks to the national enterprises and especially too the many European relocations to Morocco in this field.

¹ Therefore Morocco, plus Algeria, Palestinian Authority, Egypt, Israel, Jordan, Lebanon, Syria, Tunisia and Turkey.

- In Morocco, the development of tourism has received considerable government attention. For that matter, the government has always given strong encouragement to private Moroccan investors and large international groups to make massive investments in this sector.
- Development in the tertiary sector has accelerated strongly over the past decade and more, in particular in the sectors of banking, finance, retailing and distribution, mobile telephony and offshoring (relocation of call centres and services, as well as European computer service companies, etc.).

2.1 Gross domestic product

According to the data of the National Accounts Department of the High Commission for Planning, Morocco's GDP at current prices amounted in 2008 to just over EUR 60 billion and has been rising steadily since 2004. Accounting for 55%, the tertiary sector remains the main contributor to GDP. It outstrips the secondary sector (30% contribution) driven in particular by the mining sector, and the primary sector, the contribution of which amounts to approximately 15%. Overall, GDP at current prices has risen by 11.8%, compared to 6.7% in 2007. The added value from agriculture rose by 20.7%, whereas that from non-agricultural activities increased by 12.4%.

Table 1: Details of Morocco's gross domestic product. Data shown in EUR million. * Source: High Commission for Planning

| Economic sector | 2004 | 2005 | 2006 | 2007 | 2008** |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Primary sector (M€) | 6 727 | 6 313 | 7 924 | 6 684 | 8 028 |
| Agriculture | 6 264 | 5 711 | 7 350 | 6 130 | 7 323 |
| Fisheries | 463 | 602 | 574 | 554 | 681 |
| Secondary sector (M€) | 11 758 | 12 137 | 12 738 | 13 296 | 16 581 |
| Extractive industry | 736 | 816 | 954 | 1 174 | 3 982 |
| Industry (other than petroleum) | 7 134 | 7 002 | 7 355 | 7 321 | 7 678 |
| Petroleum | 88 | 135 | 117 | 75 | 85 |
| Electricity and water | 1 184 | 1 323 | 1 330 | 1 405 | 1 423 |
| Construction | 2 615 | 2 860 | 2 981 | 3 321 | 3 412 |
| Tertiary sector (M€) | 22 738 | 24 559 | 26 253 | 28 699 | 30 104 |
| Commerce | 4 923 | 5 123 | 5 521 | 5 804 | 6 231 |
| Hotels & restaurants | 1 001 | 1 176 | 1 202 | 1 454 | 1 437 |
| Transport | 1 688 | 1 630 | 1 663 | 2 075 | 2 109 |
| Post and telecommunications | 1 397 | 1 503 | 1 643 | 1 774 | 1 886 |
| Other services | 9 717 | 10 779 | 11 636 | 12 962 | 13 675 |
| Public administration | 4 012 | 4 348 | 4 589 | 4 631 | 4 766 |
| | 41 223 | 43 009 | 46 916 | 48 679 | 54 713 |
| Total basic prices (M€) | 41 223 | 43 009 | 46 916 | 48 703 | 54 689 |
| Tax on income net of subsidies | 4 604 | 4 875 | 5 380 | 6 294 | 6 109 |
| GDP (M€) | 45 827 | 47 884 | 52 296 | 54 974 | 60 798 |

* The original data are in million MAD. They were converted into EUR on the basis of the mean parity presented in the introduction for the purposes of this study.

** Forecasts

Economic growth amounted to 5.6% in 2008, compared to 2.7% one year previously, as a result of the 16.6% increase in added value of the primary sector and, to a lesser extent, the progress in the non-agricultural activities, although this has slowed from 6% to 4.1%. In fact the deterioration in the economic situation in the euro area, Morocco's main trading partner, especially from the fourth quarter, has affected certain industrial sectors, the production of which mainly targets the European market, as well as tourism and transport.

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At primary sector level, agricultural activities increased by 16.3%, as opposed to a fall of 20.8% one year previously. Cereals production more than doubled from one year to the next on account of more favourable weather conditions, whilst fisheries activities recorded an increase of 19% after a fall of 10.1% one year previously. On the other hand, the growth rate in the secondary sector fell from 6.6% to 3.6%, mainly as a result of the 5.9% contraction in the activity of the extractive industries and the slowdown in the activities of the manufacturing industries following the decline in foreign demand linked to the world crisis. The agri-foodstuffs industries (including the processing of fisheries products) make a significant sectoral contribution, estimated to represent 35% of industrial GDP. The tertiary activities, including the non-market services supplied by the public administration, rose by 4.1% after 6.1% growth in 2007, despite the near stagnation in tourism-related services. For their part, commercial activities and telecommunications have recorded appreciable progress year-on-year.

For 2009, the IMF forecasts real growth of 5%, sustained in particular by a crop year deemed to be exceptional. The financial sector in Morocco is unlikely to be greatly affected by the world financial crisis in view of its low exposure to toxic assets. However, the world crisis does affect the real sector. Morocco felt the effects of the crisis largely through the economic slowdown in Europe, its main trading partner. Although most of the recent data show a recovery in revenue, for the first half of 2009 compared to that of 2008, exports fell by 34%, tourism revenue declined by 14% and remittances by 12%. DFI was also down by 34%. Affected by the employment crisis in Europe, transfers by Moroccan nationals established abroad also fell significantly. These transfers represent about 10% of GDP.

For all that, according to the IMF, economic activity in 2009 resisted partly thanks to the soundness of the initial conditions, attributable to the reforms in recent years. The reforms of the past ten years have stimulated non-agricultural growth and made the economy more resilient to shocks, thereby enabling Morocco to limit the impact of the crisis. In particular, the macroeconomic gains – low inflation, low budget deficits and public debt ratios falling – as well as the structural reforms designed to increase economic flexibility, have increased Morocco's room for manoeuvre in its response.

→The fisheries sector and GDP

The contribution of the fisheries sector to Morocco's GDP is estimated at approximately 1% of total GDP and at 7% to 8% of primary sector GDP. However, this contribution takes no account of the activities relating to the catching and first sale of the produce and takes no account of the added value generated by the related upstream sectors (shipbuilding and repairs, supplies of goods and services for fitting out vessels) and especially the downstream sectors (processing and marketing of fisheries products). The contribution from the related sectors to GDP is posted to the accounts under other sectors, notably those of industries and services.

According to the assessments of the Minister responsible for fisheries, the total contribution of the fisheries sector to GDP, all sectors together, is in the order of 2% of national GDP. This contribution remains low, which would indicate that the fisheries sector in Morocco is not yet a driver of growth.

2.2 Foreign trade

The Moroccan trade balance records a deficit which has tended to increase over the past five years (from EUR -7.7 billion in 2005 à EUR -13.6 billion in 2009). For this last year, the trade balance shows a 10% improvement, but this masks a slowdown in exports of 29% compared to 2008, which is a consequence of the fall in international demand resulting from the financial crisis. The concurrent decline in imports in 2009 (-18.7%) is attributable to the significant fall in petroleum product prices.

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Table 2: Moroccan trade balance Source: Foreign Exchange Office

| (million EUR) | 2005 | 2006 | 2007 | 2008 | 2009* |
|---------------|--------|--------|---------|---------|---------|
| Imports | 16 731 | 19 072 | 23 308 | 28 777 | 23 593 |
| Exports | 9 008 | 10 143 | 11 197 | 13 746 | 9 961 |
| Balance | -7 724 | -8 929 | -12 112 | -15 031 | -13 632 |
| Cover rate | 53.8% | 53.2% | 48.0% | 47.8% | 42.2% |

* Provisional data

Moroccan imports are dominated by hydrocarbons (petroleum products, gas) and capital goods (machines, vehicles, domestic equipment), which together account for 55% (2008) to 60% (2009) of total imports. Owing to the fall in world prices in 2009 compared to 2008, the value of imports of hydrocarbons fell by almost 50% in 2009 compared to 2008. Thanks to a favourable crop year, Morocco was also able to halve its cereals imports in 2009.

Morocco's main exported goods are phosphates and derived products, ready-made clothing and fisheries products. On account of the fall in world prices, the contribution of phosphates, which in 2008 accounted for 33% of total exports and a value of nearly EUR 4.5 billion, in 2009 amounted to only 17% and a value of EUR 1.7 billion (-63%). The exports of ready-made goods also fell between 2008 and 2009 (-6%) with a contribution to total exports rising by 12% to nearly 16%. Exports of fisheries products (raw or processed) in 2008 represented a value of nearly EUR 1.2 billion (8.5% of total exports in 2008) but fell to EUR 1.1 billion in 2009. This sector's contribution to total exports shows a significant increase in 2009 (11.1% of Moroccan exports). For 2009, like the previous year, exports of fisheries products are well above the exports of other agricultural sectors (citrus fruit, tomatoes or fresh and processed vegetables).

As regards Morocco's trading partners, the European Union remains the main partner, well ahead of the countries of Asia, America or Africa. In 2009, 60% of imports into the country originated in the EU and 70% of Moroccan exports were destined for the EU market. The second most important partner region is Asia, with 22% of imports and 14% of exports. By country, France and Spain are Morocco's main trading partners, with shares of 18.3% and 14.8% respectively of total trade. The balance of trade between the EU and Morocco is heavily in favour of the EU (deficit of EUR 8.8 billion in 2008 and EUR 7.1 billion in 2009).

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Table 3: Geographical structure of trade. Source: Foreign Exchange Office

| (million EUR) | | 2005 | 2006 | 2007 | 2008 | 2009* |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| EUROPE | Import | 10 804 | 11 722 | 14 622 | 17 816 | 14 069 |
| EU | Import | 8 834 | 9 837 | 12 377 | 15 062 | 12 279 |
| Other | Import | 1 970 | 1 884 | 2 253 | 2 754 | 1 790 |
| | | | | | | |
| EUROPE | Export | 6 978 | 7 820 | 8 462 | 8 933 | 6 959 |
| EU | Export | 6 638 | 7 375 | 8 022 | 8 225 | 6 484 |
| Other | Export | 340 | 445 | 440 | 709 | 475 |
| | | | | | | |
| ASIA | Import | 3 513 | 4 277 | 4 822 | 6 626 | 5 076 |
| ASIA | Export | 892 | 978 | 1 083 | 2 265 | 1 372 |
| | | | | | | |
| AMERICA | Import | 1 435 | 1 706 | 2 556 | 3 015 | 2 991 |
| AMERICA | Export | 601 | 619 | 889 | 1 462 | 675 |
| | | | | | | |
| AFRICA | Import | 933 | 1 038 | 1 483 | 1 551 | 1 194 |
| AFRICA | Export | 460 | 571 | 565 | 705 | 719 |

* Provisional data

→The fisheries sector and foreign trade

Raw or processed fish, crustaceans and molluscs make a significant contribution to export earnings, accounting for 11% of the total and a value of EUR 1.1 billion (2009 provisional data). Exports of fisheries products provide a positive net contribution to the trade balance in so far as imports are very limited apart from products admitted under temporary procedures for inward processing and which are therefore subsequently re-exported. The fishing industry therefore plays a significant role in the country's export earnings. As will be shown below, the EU market, and especially those of Spain, France and Italy, is the main outlet for the fisheries product exports, accounting for nearly 70% of turnover. The second major market is that of the other African countries, which generates 13% of export earnings. It is a particularly dynamic sector, with a turnover which has practically doubled between 2004 and 2008.

2.3 Budgetary aspects

The table below shows the main budgetary aspects published in the successive Finance Acts passed since 2007. The budget deficit forecasts aim to confine the deficit to about 2% of GDP each year. The 2010 budget takes account of the indirect effects of the world financial crisis on Morocco, with falling revenue accompanied by expenditure estimates which are also lower. Morocco plans to control the expenditure of the Administration with a smaller operating budget than in 2009, but by continuing to increase investment, with a forward budget exceeding EUR 7 billion, whereas it was below EUR 5 billion in 2008.

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