

expenditures are high relative to the size of the economy, claiming over a quarter of GDP. The functional composition of budget has changed significantly in the past few years, but the country devotes relatively large shares of its resources to defense and education; as concerns budgetary spending by economic type, non-wage recurrent and capital expenditures have borne the brunt of the cuts in overall expenditures, leaving the share of wages and salaries particularly high.

7. Structural Characteristics. Despite a decline in the percentage of the population living in absolute poverty over the past two decades, the latest Living Standards Measurement Survey indicates that: (a) a large number of households remain vulnerable, even if they are now above the poverty line; and (b) the level and rate of improvement of many basic social indicators remain disappointing. While absolute income poverty declined from over 20 percent in 1985 to some 13 percent in 1991, such indicators as primary school enrollment, infant nutrition and female mortality, access to safe water, housing quality and illiteracy rates continue to lag. Moreover, indicator discrepancies are often acute between rural and urban areas, and males and females; net primary enrollment among girls in rural areas is around 30 percent, compared with almost 60 percent for boys. In past years, the poor performance of basic social indicators has been perpetuated by high population growth rates now reduced to about 2 percent, restrictive attitudes concerning female participation, concentration of land ownership, and insufficient and/or inadequately targeted public social expenditures. Lack of job creation is a persistent and potentially explosive problem, with urban youth unemployment at over 16 percent (compared with 12 percent a decade earlier).

8. Morocco has abundant natural resources, including the world's most easily accessible phosphate reserves, vast areas of arable land, extensive coastlines well suited to tourism, and considerable maritime resources. However, in future, production expansion is likely to run up against constraints--if a Partnership Agreement with the European Union (EU) is concluded but also under GATT -- of trade liberalization on highly competitive exports of agricultural and textile-based products. Expanding tourism, for which Morocco is well located and endowed with natural and historical opportunities, faces obstacles from service quality and different cultural values. Natural and physical resources (water, equipped urban land, infrastructure) are growing bottlenecks. Water scarcity will force Morocco to revisit traditional ways of expanding irrigated production, without leaving agricultural output, which accounts for almost one-fifth of value added, subject to