Economic and Social Conditions in North Africa

A Mid-Decade Assessment

Economic Commission for Africa

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Economic and Social Conditions in North Africa: A Mid-Decade Assessment

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Acronyms

ACP	African, Caribbean and Pacific States
AMU	Arab Maghreb Union
ATC	International Agreement on Textiles and Clothing
CA	Cooperation Agreement
CIDA	Canadian International Development Agency
COMESA	Community of Eastern and Southern Africa
DSL	Digital Subscriber Line
ECA	Economic Commission for Africa
EFTA	European Free Trade Area
EIU	Economist Intelligence Unit
FA	Framework Agreement
FAO	Food and Agriculture Organization
FT	Free trade
FDI	Foreign Direct Investment
GAFTA	The Greater Arab Free Trade Area
GDP	Gross Domestic Product
IF	In force
ILO	International Labour Organization
ITC	Information and Communication Technology
PT	Preferential Trade
MDG	Millennium Development Goal
MFA	MultiFibre Agreement
NEPAD	New Partnership for Africa's Development
NBI	Nile Basin Initiative
OECD	Organization for Economic Cooperation and Development
SITC	Standard International Trade Classification
SDD	Sustainable Development Division/ECA
SRO	Subregional Office/ECA
TA	Trade Agreement
TIFA	Trade and Investment Framework Agreement.
TRID	Trade and Regional Integration Division/ECA
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WAEMU	West African Economic and Monetary Union
WSIS	World Summit on the Information Society
WTO	World Trade Organization

Preface

The ECA Office for North Africa serves Algeria, Egypt, Libya, Mauritania, Morocco, Sudan and Tunisia. This mid-decade (2000-2004) assessment of the structural evolution of North African economies raises various questions relating to:

- Advances in economic policy and growth;
- The need for a deeper understanding of the meaning of development as it relates to human and social development;
- The rise of information technology and use of the Internet; and
- Integration into an increasingly globalized world economy.

Exploration of these areas provides an opportunity to raise critical issues of interest to North African countries. It also represents a challenge to have a more coherent approach to development policy options.

This Survey is a contribution to the development literature on North Africa, and ECA recommends it for consideration by policymakers and decision-makers and by all stakeholders in the North African subregion and the wider Africa region.

I. Introduction

1. Over the past few years (2000-2004), North African economies have been influenced by two factors: the price of oil and the legacy of economic policies and structures that have emphasized a leading role for the State. Indeed oil (and increasingly natural gas) is both the greatest strength and the biggest weakness of the North African subregion. As has been the case for decades, revenues generated by these two hydrocarbon-based resources still account for the bulk of economic activity and export revenue, particularly in Algeria and Libya. Even modest producers such as Egypt rely on oil output to generate export revenues, while Tunisia's limited oil production merely allows the country to avoid a heavy oil import bill. Recent oil reserves discovery in Sudan and Mauritania might also lead to dependence on oil revenues, if income sources are not diversified.

2. In parallel, countries have undertaken structural reforms aiming at stabilizing, reforming, and opening up their economies, but with mixed records. On the positive side, they have managed to maintain macroeconomic stability in the face of significant fluctuations in the price of oil and accompanying volatility in capital flows and remittances. However, the subregion as a whole failed to generate high and sustained growth rates, which has resulted in overall real economic growth averaging 4 per cent in 2000-2004, mainly due to rising oil prices and better agricultural performance.

3. Reforms and their link to economic growth is also a socially central issue. It is especially critical in the subregion because of the unemployment problem (women in particular), compounded by years of high population and labour force growth rates. Employment itself has grown, at times faster than in other developing countries, but the proportion of young job seekers has increased, while the capacity to absorb them is insufficient.

4. Linked to oil dependency, the inadequate performance with regard to growth and employment creation has resulted in the weak integration of North African countries into the global economy. Some argue that progress in liberalizing trade and reducing the anti-export bias has been slow, although most countries have undertaken tax reforms[1]. Moreover, some critical sectors of the economies have not undergone the necessary vertical diversification that would have reinforced their international competitiveness. The textile and clothing sector, which is an important industrial activity, export sector, and employer in Egypt, Morocco, Sudan and Tunisia, is an example. The phasing out of the Multifibre Agreement (MFA) which ends the International Agreement on

1 John Page (2003), Structural Reforms in the Middle East and North Africa.

Textiles and Clothing (ATC), adversely affected North African textiles and clothing exporters.

5. Trade policy reforms alone are not sufficient to ensure increased competitiveness and integration into the world economy. Countries in general have lagged behind in regionally integrating their economies, which have prevented the gains in economies of scale that are provided by a larger regional market in terms of trade and investment opportunities. In addition, most of the needed structural reforms for improving the efficiency of private investment have not been undertaken. In the first place, many private enterprises are small in scale and are family owned. The privatization programmes of State-owned enterprises have been jeopardized by lack of transparency, cumbersome regulations, problems with the definition and enforcement of commercial laws and weak public institutions.

6. In the above context, this issue of the *Economic and Social Conditions in North Africa* aims at providing some elements of analysis and response to the above challenges. Section II examines structural changes at the levels of production, foreign trade and Gross Domestic Product (GDP) expenditure between 2000 and 2004. It also presents preliminary insights into the "leading sectors" capable of yielding large increases in value added and concludes with recommendations for more economic diversification and for a further in-depth study of the various dimensions of structural changes occurring in North Africa.

7. Section III provides an evaluation of the attainment of the eight Millennium Development Goals (MDGs). The main aim of this section is to examine how North African countries are performing on each of these MDGs. Within this overall context, the analysis identifies the progress achieved and the major remaining challenges; and proposes some steps that are required for reaching the MDG targets by 2015.

8. Issues related to women's participation in the economy are outlined in Section IV. In particular, the analysis focuses on the main features of economically active women, including those working in the informal sector. After identifying main challenges, several areas for interventions are suggested, to enable and enhance women's economic participation, taking account of the specific context and constraints of the countries of the subregion. Section V addresses some regional dimensions and perspectives while Section VI concludes with policy recommendations.

II. Evolution of Economic Structures

9. In an increasingly competitive global market, it is essential that countries expand and diversify their production and export bases with a view to realizing a strong and sustainable growth rate. Therefore, it becomes important to assess economic transformation in North African countries from a perspective that reflects export development beyond the oil factor.

10. There are three critical economic indicators underpinning changes in economic structures in North African countries. These are:

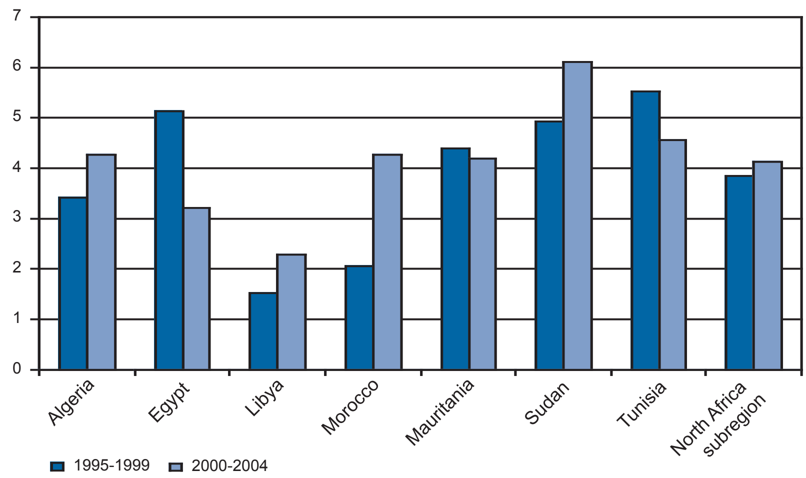
- The economic growth rate;
- Export and production structures; and
- Inter-sectoral relationships having potential to derail economic transformation if they are not managed adequately.

A. Improvement in economic growth

11. Economic activities for the period 2000-2004 have been more flourishing than in the period 1995-1999, when the subregional average rate of growth was only 3.8 per cent and the growth rates of countries varied between 1.52 and 5.52 per cent (figure I). Indeed, for the period 2000-2004, the lower limit is higher, and the average around 4 per cent. However, it is to be noted that this growth rate remains at a level far below what is required for an effective reduction of poverty and unemployment, and indicates the need for greater rigour in the implementation and evaluation of economic, social and institutional reforms.

12. Behind these statistics, a relative decline in performance could be observed in Egypt and Tunisia, stagnation in Mauritania, and an increase in the four remaining countries, with strong growth for Morocco, which almost doubled its rate, rising from 2.04 per cent to 3.8 per cent between the two periods under review.

Figure I: Economic growth in North Africa between 1995-1999 and 2000-2004



Source: SRO-NA calculations based on national data

These different performances can be explained by specific factors:

- Egypt has seen a sharp drop in its growth rate, which might be explained by the monetary difficulties it has recently been experiencing;
- Algeria's improvement of 0.9 per cent can be attributed to higher oil prices;
- The fall observed in Tunisia can be traced mainly to the severe drought of 2002, which brought the growth rate down to 1.7 per cent, its lowest level for a decade; and
- The accelerated growth of Morocco can be explained by better climatic conditions during the last five years.

13. It can be concluded from the above that the subregion did not show structurally stronger growth in 2002-2004 than in 1995-1999. Therefore, the most immediate issue to be addressed is how to sustain the economic growth experienced. An attempt is first made to examine private and public consumption and investment rates.

14. With regard to the GDP by utilization, private consumption represents an average of 63 per cent of GDP during the period 2000-2004, while public consumption was about 16 per cent. A change in the distribution of GDP utilizations is observed, compared to 1995-1999. The share devoted to household spending decreased compared to its level in 1995-1999, which was estimated at 66 per cent. It was only possible to maintain public administration consumption at almost the same level as 1995-1999 (15.9 per cent). This led to improvement in the domestic savings rate in

relation to the GDP by at least 3 points since 1996. This was reinforced by net foreign revenues of about 1 per cent of the global GDP, leading to a small increase (less than 1 per cent) in average living standards, measured by the value at constant prices of per capita consumption.

15. National investment rates have varied between 18 per cent (Egypt, Libya) and 29 per cent (Mauritania). Libya, Morocco, Mauritania, and Sudan are all seeing increases in their investment rates. The reasons for these increases vary. In Libya, the increase is due to the lifting of the embargo, which allowed some foreign investment flows to come in. As for Mauritania, its public investments are rising sharply because of the foreign aid it has being granted. Sudan has being experiencing a considerable upsurge in investment accompanying the installation of new infrastructure needed for petroleum production and for creation of an adequate environment in the petroleum-producing zones of the country[2]. Morocco registered a rise in investment rates due to an improvement in public investment (including public institutions and enterprises), following the active policy adopted by the Government.

16. Tunisia has seen stabilization of its investment rate, which, nevertheless, is still the highest in the subregion after that of Mauritania. Algeria has seen a decreasing investment rate, partly due to a decrease in public investment, but above all, caused by strong GDP growth, unaccompanied by a similar rise in investment values. In Egypt, the decrease is assumed to be the result of the difficulties encountered by the country's exchange market. In sum, significant action should be taken to dampen public spending and return growth to a more sustainable range.

B. Stagnating production sectors

17. Apart from looking into structural trends and utilization of GDP growth, it is important to put forward the contribution of different sectors in generating that growth. Thus, referring to table 1, it can be observed that the service sector is the leading sector in North African economies, as it represents an average of 44 per cent of the overall product compared to 33 per cent for industry and 19 per cent for agriculture in 2004. This proportion has undergone a clear change. In 1999, the tertiary sector represented 54.5 per cent, as opposed to 27.5 per cent for the secondary sector and 18 per cent for the agricultural sector. An increase in industrial production to the detriment of the service and agricultural sectors is evident. The composition of GDP by sector and country shows this subregional trend (table 1).

2 However, prevailing political instability could result in decreasing investment trends.

Table 1: Changes in GDP structure by broad sectors

Percentage of GDP	1999	2000	2001	2002	2003	2004
SECTORAL CONTRIBUTION TO GDP						
ALGERIA						
Agriculture	10.6	8.1	9.8	9.5	12.0	
Industries	46.7	56.7	54.7	52.7	48.0	
Services	42.7	35.2	35.5	37.8	40.0	
EGYPT						
Agriculture		16.5	17	16.6	18.0	
Industries		27.1	27	26.7	28.0	
Services		56.5	56	56.7	54.0	
LIBYA						
Agriculture	8.9	8.8			9.0	
Industries	45.7	45.3			46.0	
Services	45.5	45.9			45.0	
MOROCCO						
Agriculture	13.7	11.4	13.7	14.0	13.7	15.8
Industries	30.2	30.8	30.4	30.3	29.3	29.4
Services	56.1	57.8	55.9	55.7	55.0	54.8
MAURITANIA						
Agriculture	20.0	18.2	19.6	18.3	21.0	19.0
Industries	24.0	26.8	24.1	23.7	25.0	25.0
Services	56.0	55.0	56.3	58.0	54.0	56.0
SUDAN						
Agriculture	42.6	44		15.6		44.5
Industries	16.2	22		24.1		25.4
Services	41.2	34		30.3		30.1
TUNISIA						
Agriculture	15.9	15.0	14.1	12.1	12.5	
Industries	33.3	33.0	33.8	33.2	34.3	
Services	50.9	52.0	52.1	54.2	53.3	
NORTH AFRICAN SUBREGION						
Agriculture	18.0				16.0	19
Industries	27.5				36.0	33
Services	54.5				48.0	44

Source: SRO-NA calculations based on national data.

18. The main changes observed in GDP structure by sector, and taking into account the aggregation level adopted (3 broad sectors) can be summed up as threefold:

- The increase in the share of the tertiary sector in Tunisia;
- The change due to the discovery of petrol in Sudan; and
- The change resulting from the upturn in oil prices.

These last two events, in addition to increasing the share of the energy sector, have led to an increase in the primary sector in Sudan and in Algeria. In Tunisia, the change observed is the result of a strategic development choice in favour of the tertiary sector. The current situation does not *a priori* seem to display effective functioning. With the exception of Tunisia, the only progress observed is due to oil: the discovery of oil in Sudan and oil price rises in Algeria.

C. Strong export concentration

19. The analysis of the regional commodity structure of exports between 1995-1999 and 2000-2004 shows diverging trends between a group of countries (Algeria, Egypt, Libya and Sudan), which are developing their specialization in fuel, and another group (Morocco and Tunisia), which are increasingly focusing on manufactured goods (table 2).

Table 2: Evolution of the average structure of foreign trade by broad product categories between 1995-1999 and 2000-2004

Period	1995-1999			2000-2004		
Imports						
	Fuel (SITC 3)	Minerals and metals (SITC 27 + 28 + 68)	Manufactured goods (SITC 5 to 8 less 68)	Fuel (SITC 3)	Minerals and metals (SITC 27 + 28 + 68)	Manufactured goods (SITC 5 to 8 less 68)
Algeria	1.4	1.2	64.4	1	1	69.7
Egypt	3	3	60.2	4.7	3	51
Libya	0	1	72.5	..	..	..
Mauritania	25.5	0	48	..	..	..
Morocco	13.6	3.2	62.2	17.3	2.3	63.3
Sudan	14.6	0.6	64.8	5.7	1	72
Tunisia	7	2.6	76.4	9.3	2.3	76
Exports						
	Fuel (SITC 3)	Minerals and metals (SITC 27 + 28 + 68)	Manufactured goods (SITC 5 to 8 less 68)	Fuel (SITC 3)	Minerals and metals (SITC 27 + 28 + 68)	Manufactured goods (SITC 5 to 8 less 68)
Algeria	95.8	0.8	2.8	97.7	0	1.3
Egypt	39.4	5.4	38.2	45.5	4.8	29.8
Libya	94	0	4	..	..	..
Mauritania	4.5	40	2	..	..	..
Morocco	2	11.8	56.2	4	8.3	64.7
Sudan	0	0.6	5.6	71.7	0	4.7
Tunisia	8.2	1.4	79.8	9.8	1.3	80.3

Source: UNCTAD, 2004

20. In Algeria, Egypt, Libya and Sudan, fuel exports account for more than a quarter of total exports in all four countries, during 2000-2004, forming the first exporting sector. The rise in oil prices over this period resulted in an increase in the share of fuel in Algeria and Libya's exports, from 95 per cent to 98 per cent and from 94.8 per cent to 95.7 per cent respectively. However, it is the structure of Sudan's exports which has experienced the biggest variation over this period: exports of fuel, which began in 1999, amounted to 14 per cent of total exports in 1999 but reached 79.8 per cent in 2003 and 82 per cent in 2004. This concentration is likely to increase over the years as the expected exploitation of more deposits will lead to more fuel exports.

21. For two other countries, Morocco and Tunisia, exports have relied on manufactured goods according to their share in total exports, and with regard to their contribution to export growth from 1995-1999 and 2000-2004. Mauritania's specialization lies in minerals, but with an increasing shift to fuel exports.

22. The evolution observed in all countries reveals an export structure concentrated mainly in two sectors (oil or manufactured goods) as shown by the strong specialization they exhibit. For oil-exporting countries, the specialization in fuel could be accentuated under the current rising oil prices. On the other hand, the export structure in Morocco and Tunisia, mainly concentrated on textiles and clothing (labour-intensive industries with low costs), might find it difficult to change in the absence of inward-processing infrastructure. However, the ending of the MFA will force these countries to move towards new specializations and vertical diversification to develop more value-added production. The following section envisages inter-sectoral relationships that allow growth in a given sector of the economy to lead to increased growth in other sectors.

D. Search for leading sectors

23. The search for sectors that have a strong inter-sectoral influence arises from the desire to orient public and private intervention to achieve maximum profitability and impact. This search requires very complete and detailed information concerning the social matrices, organized by sector and by agent, which is not available for all the countries of the subregion. To bypass that limitation, estimates of correlation and elasticity for certain sectors and countries are calculated (table 3).

Table 3: Estimates of correlation ratio and apparent elasticities

Sector		Algeria	Egypt	Libya	Morocco	Sudan	Tunisia
Agriculture	Correlation		81		90	91	51
	Elasticity		0.88		0.95	0.55	1.5
Energy	Correlation	82		53		88	
	Elasticity	0.37		0.31		1.32	
Tourism	Correlation		77		96		94
	Elasticity		0.67		0.57		1.5
Transport communications	Correlation		86		99		99
	Elasticity		1.52		1.1		0.22

Source: SRO-NA estimates based on national data

24. A look at the results obtained from these estimates leads to the following conclusions:

- The differences in correlation between the same sectors across countries is considerable, which shows the different degrees to which the same sectors are interwoven into the rest of the economy in one country or another. This conclusion must, however, be qualified, given that the strong diversification of the economy may reduce the value of the correlation even if the effect of the sector is real and considerable; and
- Even when the correlation is close to one (1) for certain sectors, a considerable difference exists between the elasticities, which indicate that actions stimulating activity in a particular sector may have a greater effect in one country than in another.

25. While this approach shows the diversity of inter-sectoral relations, it is not possible to draw conclusions or to make even approximate estimates of the marginal effects of the sectors on the rest of the economy. The following basic questions remain to be answered and require more attention:

- Why does the agricultural sector not always have a stimulating effect? What paths do agricultural revenues follow to make this sector closely linked to non-agricultural economic sectors?
- Why in the oil-producing countries is the increase in oil revenues not accompanied by an equally strong growth of activities in the rest of the economy? What use is made of oil revenues? Are these the optimal uses, and for how long?
- Why is it that in two countries ICTs show different degrees of penetration into the rest of the economy?

- What use is made of revenues from tourism? Has the satisfaction of needs in this sector been achieved largely at the expense of the local economy?

26. The main conclusion that emanates from the inter-sectoral analysis is that North African economies function very differently. It has therefore been found necessary to analyse the economies individually to determine precisely which sectors have the most growth potential in each country[3]. A description of the current situation in each country is needed and where possible, available alternatives pursued, if this type of information is not available. The possibility of assisting member States to draw up standard social matrices should also be considered.

27. Moreover, in the analysis of the structural changes in North African countries, the potential and real influences of three basic factors need to be examined:

- External constraints;
- The knowledge-based economy; and
- Governance.

28. With regard to external constraints, due attention needs be given to the effect of oil prices on the terms of trade of oil-producing and oil-importing countries. This analysis points to the need to undertake a thorough analysis of the value and volume of external trade, and to define strategies on the basis of increasing competitiveness and prospective export market shares. Similarly, the difficulty in forecasting the effects of regional integration, in particular within the Arab Maghreb Union (AMU) framework, adds further uncertainty, which makes it difficult to take decisions in favour of one diversification strategy or another. This constraint requires adopting an economic structure characterized by a certain flexibility that would allow countries to interact at the sectoral level.

29. ITCs have played a central role in the general process of development. North African countries have worked to promote them in order to meet the increasing needs of other economic and social sectors and to benefit from the positive effects generated by these knowledge-based activities. The past five years have witnessed deregulation in the ICT sector (fixed lines in Morocco, telecommunications in general in Algeria and Sudan) and the explosion of mobile phone and Digital Subscriber Line (DSL) services in the subregion.

30. Indeed, deregulation has played a major role in the growth of the ICT sector in all North African countries. In Algeria, the global teledensity (fixed and mobile) has grown from 5.28 per cent in 2000 to more than 45 per cent in October 2005;

3 This analysis, which is beyond the scope of this paper, is being currently undertaken by SRO-NA. The results will be presented shortly.

the DSL subscribers have grown from 0 in 2000 to 112, 000 in 2005[4]. In Morocco, there were 12 million mobile phone subscribers, 250, 000 Internet subscribers and 4 million Internet users in December 2005. Access to the Internet via DSL in Morocco is by far the largest in the subregion: 204, 000 accesses compared to Egypt's 45 000 accesses, Tunisia's 10,000 accesses and South Africa's 100,000 accesses[5]. Tunisia, the host country of the phase 2 of the World Summit on the Information Society (WSIS) has 5, 107, 686 mobile phone users in August 2005 compared to 119, 075 in 2000 and 9, 210 DSL subscribers against 26 in 2002[6]. Concerning e-services, Morocco has launched the e-Morocco strategy with five broad areas of intervention and there is the e-Dinar initiative in Tunisia, just to mention a few examples.

31. North Africa has really opted for an active and worthy participation in the knowledge society and economy. The best illustration was the organization of phase two of the WSIS by Tunisia in which four Heads of State, one Prime Minister and two Ministers of the subregion participated. However, regional-level efforts still need to be made. In choosing a few priority areas (e.g. e-commerce regulation, content development) that would yield mobilizing projects to be carried out jointly, the North Africa countries are trying to ensure that the synergies will lead to greater cooperation, and will contribute more wealth and opportunity for development.

32. Moreover, further action is required in the following areas:

- Development of relevant information systems that enable monitoring of progress achieved, evaluation of the transition to a knowledge-based economy and assessment of the impact on economic and social development;
- Adoption of innovative approaches to structuring the whole of the educational and productive system around the notion of 'competence';
- Development, at all levels, of a system of research that can stimulate creativity and enable the dissemination of the results of innovation; and
- Formulation of policies that aim at the development of networks of excellence selected and integrated into the international community.
- The strengthening of the regulatory framework as part of good governance in order to increase competition and transparency in public management and to minimize bureaucratic delays.

4 Address by the Minister of Postal and IT Services, on the occasion of the Opening Session of the 11th SIFTECH, 2005 .

5 ANRT. Information Technology Observatory, September 2005 and http://www.menara.ma/Infos

6 http://www.infocom.tn

33. On the issue of good economic governance, the following weaknesses need to be addressed:

- The excessive centralization of the government administration makes it difficult to rationalize public spending which, in turn, leads to a perception of the taxation system as a predator than as a redistributor;
- The fact that the public sector is increasingly less profitable has, in some cases, engendered hasty privatizations, which result in the weakening of the capacity of government to catalyse the creation and sustenance of social desired transformations.
- Goernment programmes are also left little option but to coexist with private economic sectors that are speculative and unproductive, unable to take over and not yet capable of serving as the kingpins of development.

34. Some of the actions that should be envisaged include:

- Control and reform of institutions in charge of the application of judiciary reforms;
- Liberalization and capacity strengthening of the judiciary system and administration;
- Re-structuring of the administration to adapt to the notion of a capable State; and
- Promoting transparency and providing for exchanges between parliament and civil society.

III. Social Development as Implied by the MDGs

35. Economic development would be meaningless if it does not help in promoting human development; that is, enlarging people's choices by expanding their capabilities. This is the whole context of the MDGs, which consist of eight goals, eighteen targets and forty-eight indicators.

36. North African experience shows sharp intra- and inter-country disparities with respect to progress towards MDGs as well as in their potential to reach the goals. But it is likely that the majority will meet the required targets particularly in relation to poverty reduction, universal primary education, some aspects of gender equality, HIV-AIDS and other tropical diseases. However, strategic additional reforms are needed across countries in order to address existing pockets of poverty, gender inequalities (specifically in relation to women's economic and political empowerment), maternal mortality, environmental sustainability, youth unemployment, and regional partnership building[7].

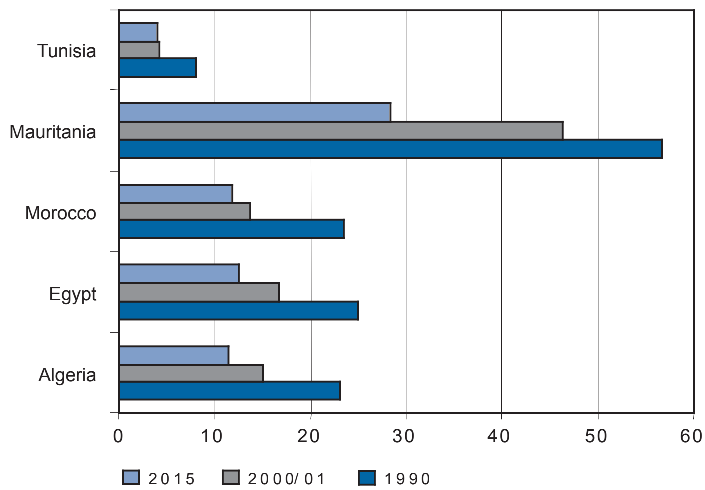
A. North Africa can meet most of the MDGs

37. ***Goal 1 – Eradicating extreme poverty and hunger.*** One of the most significant achievements has been in poverty reduction[8]. For countries where data are available, the percentage of the population living below the national poverty threshold (figure II) has reduced significantly between 1990 and 2001 (two countries have already met the target since 2001 – Libya and Tunisia). Data for most countries suggest that the target set for 2015 will be met but regional disparities have to be addressed. For the target on hunger, available data indicate that in 2001, between 2 and 7 per cent of the total population of Algeria, Egypt, Morocco, and Tunisia were suffering from hunger. In Sudan and Mauritania, these rates were much higher. The outlook is promising for most countries, assuming they speed up reforms aimed at avoiding stagnating rates.

7 See details in "Attainment of the MDGs and Implementation of NEPAD in North African Countries: Progress and Prospects".

8 Poverty data are missing for two countries.

Figure II: Percentage of population below national poverty line



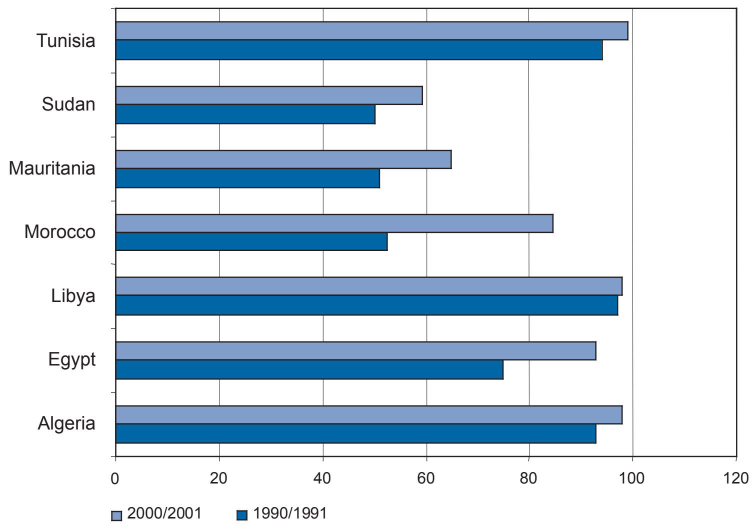
Sources: National data and UNDP MDG data

38. The removal of pockets of poverty that affect a considerable section of the population, and the reduction of the sometimes wide variations in living standards which reflect the spatial, sex-specific and socio-economic aspects of poverty, represent the major challenge still to be met[9].

39. ***Goal 2 – Achieve universal primary education.*** Data for the year 2001 show that the net enrolment ratio in primary education is higher than 90 per cent in Algeria, Egypt, Libya and Tunisia, showing that most countries are likely to attain the goal of universal education before 2015 (figure III). All countries will nevertheless have to continue to deal with the problem of high levels of illiteracy (especially among women) which, according to UNDP data (2004), reached 18.3 per cent in Libya, 26.8 per cent in Tunisia, 31.1 per cent in Algeria, 44.4 per cent in Egypt and 49.3 per cent in Morocco.

9 These aspects have been clearly underlined in the national reports on the MDGs.

Figure III: Net enrolment ratio in primary education

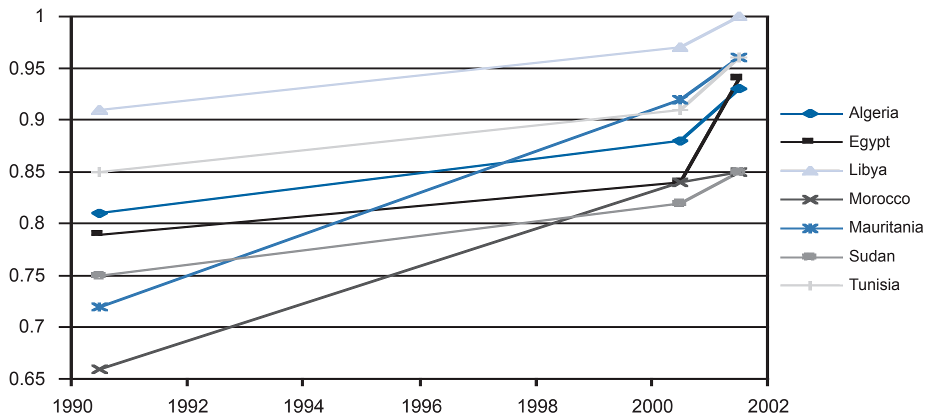


Sources: National data and UNDP MDG data

40. ***Goal 3 – Promote gender equality and empower women.*** Available data suggest that Goal 3 is potentially within reach for five countries (Libya, Tunisia, Morocco, Egypt and Algeria) as far as education (figures IV and V) is concerned. But progress is slow in women's access to the higher echelons of power and national parliaments. Women's economic participation still remains limited and their legal rights are not yet fully recognized. Gender equality and the strengthening of women's economic role in seeking out strategies for sustainable development thus remain among the great challenges confronting most countries of the subregion.

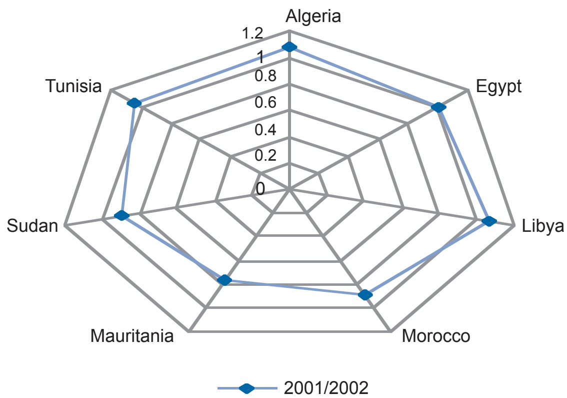
41. ***Goal 4 – Reduce child mortality.*** The target is to reduce by two thirds, between 1990 and 2015, the under-five mortality rate. Here there has been significant progress (figure VI), particularly for Libya and Tunisia, which have recorded 19 and 26 per 1000 live births respectively, well below the average for the Arab States (48 per 1000 live births) and countries of medium human development (45 per 1000 live births), and are close to the average for the countries of the OECD (11 per 1000 live births).

Figure IV: Ratio of girls to boys in primary education



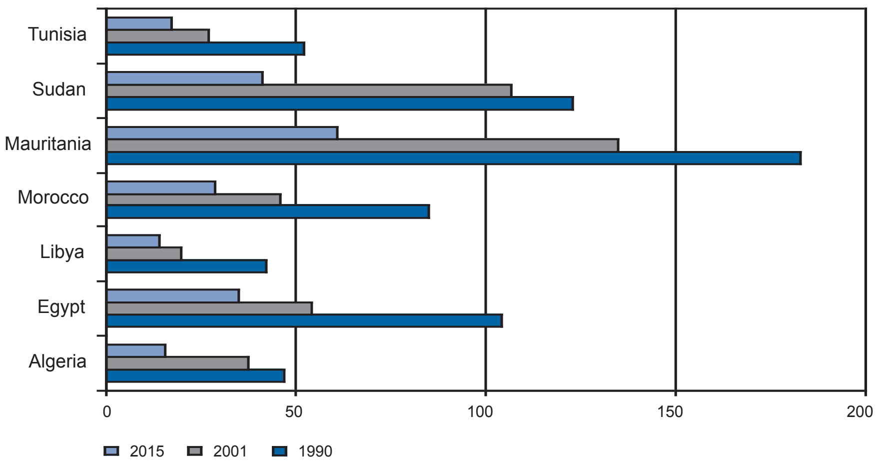
Sources: National data and UNDP MDGs Data

Figure V: Ratio of girls to boys in secondary education



Sources: National data and UNDP MDG data

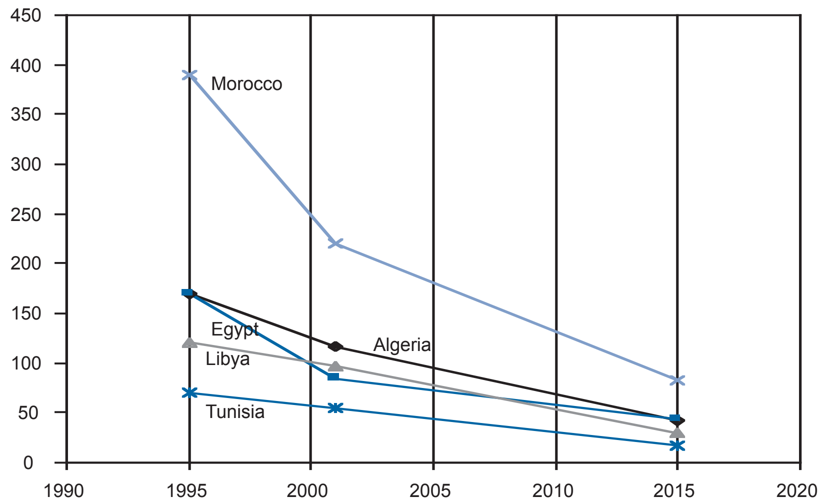
Figure VI: Under-five mortality rates (per thousand live births)



Sources: National data and UNDP MDG data

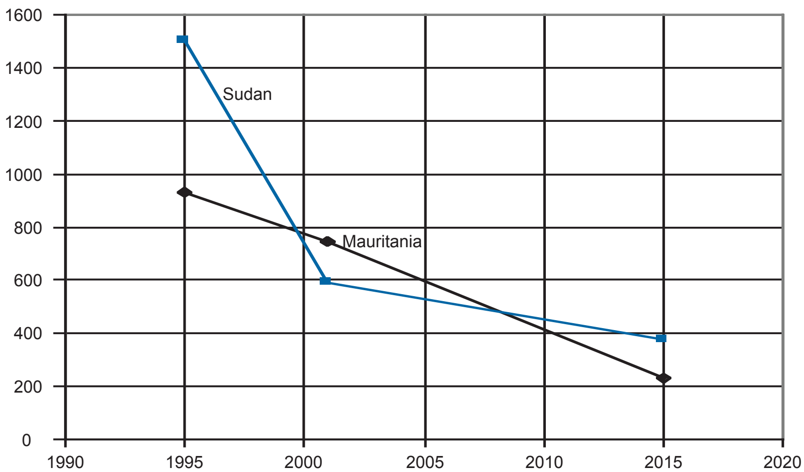
42. ***Goal 5 – Improve maternal health***. The target is to reduce the maternal mortality rate by three quarters, between 1990 and 2015. The trend observed (figures VIIa and VIIb) reveals great disparities between countries with regard to the maternal mortality rate for 2001. The rates vary between 54.8 per 100,000 live births in Tunisia and 747 per 100,000 in Mauritania, with intermediary rates of 84 per 100,000 in Egypt, 97 in Libya, 117 in Algeria, 220 in Morocco and 590 in Sudan. Compared to the 1990s, there has been little progress, which suggests that the targeted reduction in maternal mortality will be hardly reached within the deadline. The major challenge is lack of access to reproductive health infrastructure and information, particularly in rural areas.

Figure VIIa: Maternal mortality rate for 5 selected countries



Sources: National data and UNDP MDG data

Figure VIIb: Maternal mortality rate for 2 selected countries



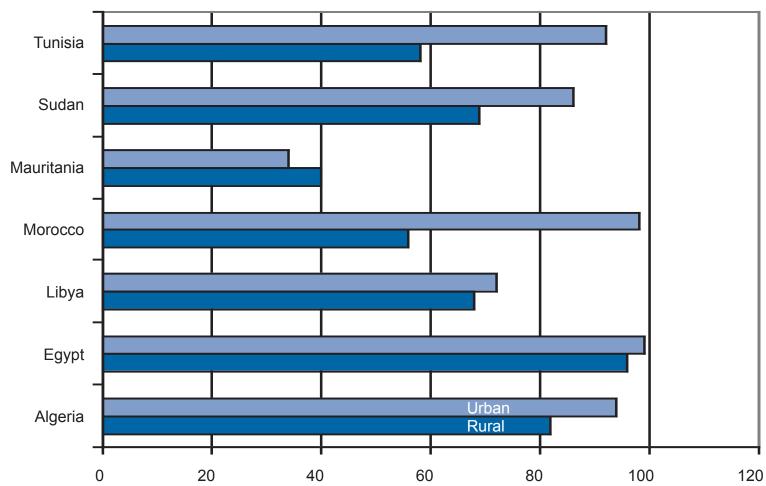
Sources: National data and UNDP MDG data

43. ***Goal 6 – Combat HIV/AIDS, malaria and other diseases***. The target is to turn back HIV/AIDS and other infectious diseases by 2015. Information from national sources indicates relatively low rates of HIV inflection, with prevalence rates in the 15-49 year age group below 1 per cent in most countries in 2003. However, more support for the prevention and treatment of malaria, tuberculosis and other diseases, together with public awareness campaigns, is needed in order to reverse the trend which is on the

increase not only in the countries at risk (Mauritania and Sudan) but also in Algeria and Morocco, which display relatively high an increasing rates of tuberculosis.

44. ***Goal 7 – Ensure environment sustainability***. Deforestation and soil degradation leading to ongoing desertification make it difficult for countries to reach targets aiming at improving the living environment of populations. Another target is for countries to guarantee regular access to clean water for their populations. Four countries (Algeria, Egypt, Morocco and Tunisia) provide sustainable access to clean water to more than 90 per cent of their urban populations (figure VIII). Rural coverage seems out of reach of the majority of countries. With a view to reaching the defined targets in terms of environmental sustainability, more appropriate and sustainable solutions are needed to address the problems of deforestation and soil degradation, diminishing water resources, loss of arable land, weak capacities of environmental institutions and worsening air pollution.

Figure VIII: Populations with sustainable access to an improved water source



Sources: National data and UNDP MDG data (2005)

45. ***Goal 8 - Develop a global partnership for development.*** The purpose behind the seven targets of Goal 8 is the development of global partnerships in order to ensure, among other things, a reduction in the burden of debt, an increase in public aid for development, an improved access to essential medicines, and decent and productive jobs for young people. Available information and data indicate that the most daunting challenge is that of lack of employment especially for youth, constantly aggravated by growing active population rate. Moreover, the short supply of new jobs seems likely to become an increasingly serious problem with direct repercussions for development, both at national and regional levels (table 4).

Table 4: Unemployment rate: overall and for the 15-24 age group

	Overall unemployment		Unemployment 15-24 age group	
	1990-2000	2004p	1990	Latest data
Algeria	20.6 (1991)	17.6	38.7	-20 years: 49.08 (2003) 20-24 years: 43.92 (2003)
Egypt	9.8 (1995)	9.8	23.1	20.4 (2001)
Libya	NA	17.3	NA	NA
Morocco	13.6 (2000)	10.8	20.5 (1999)	17.0 (2003) 34.5 Urban (2003)
Mauritania	NA	28.9 (2000)	NA	NA
Sudan	14.2	16.3	NA	NA
Tunisia	15.6 (1994)	13,9	NA	NA

Sources: National data; Statistics Division (United Nations).
P = prévisions

B. Additional efforts are needed to ensure full implementation

46. The above evaluation of the progress achieved in attaining the MDGs shows three categories of goal attainment levels, namely:

- ***a)*** ***Attainable commitments****:* These are goals in which countries of the region show a clear capacity to fulfil the commitments made within the framework of the Millennium Declaration. These include the goal of reducing poverty (Goal 1) even though some challenges remain with respect to eradicating existing marginalised areas and pockets of poverty; access to education for all (Goal 2); promotion of gender equality in education (Goal 3), and infant mortality rates (Goal 4);
- ***b)*** ***Preventive commitments****:* This refers to the goal on HIV/AIDS (Goal 6) which is presently inapplicable in most North African countries but which must be maintained as such up to 2015;
- ***c)*** ***Challenging commitments****:* These are goals for which countries face major challenges. These include goals relating to gender equality when it relates to women's economic, political and legal rights (Goal 3) maternal mortality rates (Goal 5); environmental sustainability (Goal 7) and development of international partnership (Goal 8).[10]

10 Overall, the seven countries have all taken measures to open up their economies to trade with the rest of the world and to achieve integration into the international markets. But the attainment of Goal 8 is not dependent only on the actions of countries of the subregion but also on the actions of their development partners.

47. At the country level also, two groups emerge namely:

a) Four countries that are capable of achieving all but Goal 7 related to environmental sustainability; and
b) Three countries that are far from being capable of achieving more than half the goals.

48. Therefore, efforts are still needed at the national level, for countries to ensure full implementation of the MDGs. With regards to Goal 1, countries should commit to combating social marginalization and unemployment and reducing social and spatial disparities. Rapid urbanization, which in the long term, could lead to increased numbers of poor people in urban areas and accentuate income disparities must also be addressed. Two broad areas of reform policies that will be useful in dealing with these problems are those of profound institutional reforms including the promoting decentralization, and sustainable sector-based reforms (for instance, in agriculture) to improve provision of services to the poorest sections of the population and to allow them to assert their socio-economic interests.

49. The improvement of women's economic status remains a prerequisite for achievement of Goal 3. Countries will have to get down to implementing programmes and strategies aimed particularly at guaranteeing women's economic rights, facilitating their integration in the labour market, and providing them with the necessary technological and financial support to enable them set up viable small and medium businesses[11].

50. Recent trends in maternal mortality rates indicate that Goal 5 remains out of reach for most of the countries of the region. For future prospects, it is important to make better provision for reproductive health in development policies and strategies and to initiate large scale campaigns to discourage early marriage, home births and remove socio-cultural barriers which are harmful to women's health. It is also important to promote family planning and make more investment in the health sector with provision of better health services, equitable access to clean water and affordable transport especially in rural areas.

51. Regarding Goal 7, countries need to draw up and implement various programmes in the context of sustainable development. To this end, they should consolidate their strategy for a sustainable environment to incorporate policies for managing water resources and better regional collaboration in environment policy implementation. Moreover, studies, strategies and policies need to be undertaken to measure the probable effects of climate change and the socio-economic challenges

11 See SRO-NA (2005), Economic Participation of Women in North African Countries.

linked to it. This issue should be mainstreamed into national political and economic policies so that there is an understanding of the structural impact of climate change.

52. With respect to Goal 8, job creation is a high priority and active policies aimed at promoting employment by means of various mechanisms and, in many instances, have to be adopted. Indeed, the pressures of unemployment, especially of young people, are becoming alarming. This challenge calls for better employment strategies to avoid the threat of a social crisis, limit the potential danger of insecurity and halt the large-scale brain drain that is depriving countries of human capital. Most studies emphasize the fact that North African countries could make greater progress towards achieving the MDGs if they improved their systems of governance and if they could benefit from wider market access for their exports. Among the major challenges in this domain is the necessary reinforcement of production capacities, simplification of rules of origin and increased foreign direct investment (FDI) flows.

53. It has been widely recognized that additional financing is required for the countries to reach the MDGs in 2015: most countries including Mauritania and Morocco have already initiated the costing exercise. The main question that remains is where to find such financing: should it be based on taxation on environment? The Tobin Tax on exchange operations or taxation on arms trading? Another alternative would be to use the International Financing Facility as proposed by the British Government. Whatever the option, countries will have to prepare a more favourable environment in order to attract more investment flows, especially in the context of the privatization process, to complement resources needed to develop their physical and human potential.

54. Finally, in addition to the actions proposed at the national level, it is important to recognize the crucial role that the regional dimension can play in realizing the MDGs. There is a broad consensus that lack of a regional area leads to additional cost both at the level of economic activities and in a country's ability to generate an environment that promotes business. For example, the question of specialization would be meaningful only if countries are able to integrate their production and set up a large market. This would allow them to make the economies of scale necessary for the promotion of investments and exchanges. This regional dimension allows the optimization of relations between training and capacity-building programmes and the labour market.

55. An integrated regional market could also facilitate access to reliable data and lead to the setting up of a pool of experts that countries could consult. It is essential that the role of the AMU be strengthened through re-launching the process of regional integration.

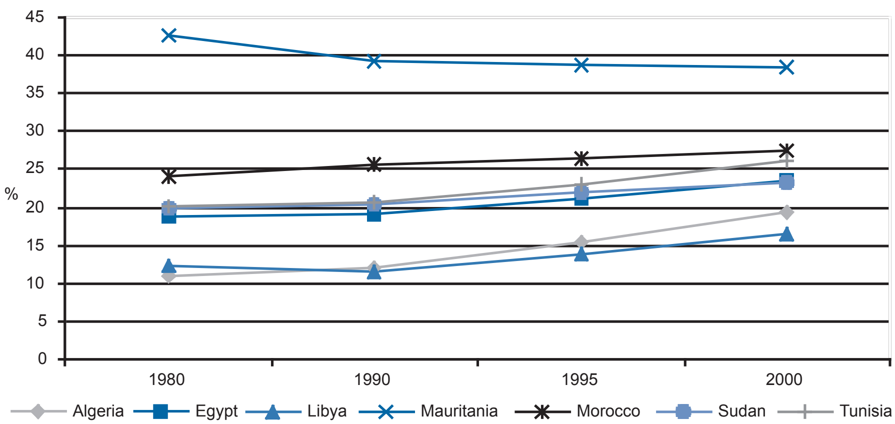
IV. Evolution of Women's Economic Participation

56. It should be stressed at the very outset that in North Africa, consideration of women's remunerated work is an important factor in restructuring gender relations towards greater parity. This involves the distribution of income, decisions and roles, both within the household and in society as a whole. It is also the means through which women are gaining wider access to the public space.

A. Changing features of women's economic participation

57. ***Rising trends in activity rates:*** Estimates from ILO LABORSTA (2005) show that North Africa has witnessed a rising trend in women's activity rates, especially since 1990. In 2000, on average one woman in four was economically active, although differences between countries are considerable. The proportion of active women is highest in Mauritania at 38.37 per cent; moderate in Morocco and Tunisia at 27.42 per cent and 26.1 per cent respectively and low in Algeria and Libya at 19.29 per cent and 16.43 per cent respectively (figure IX).

Figure IX : Women's activity rates, North Africa, 1980-2000 (%)



Source: ILO (LABORSTA 2005)

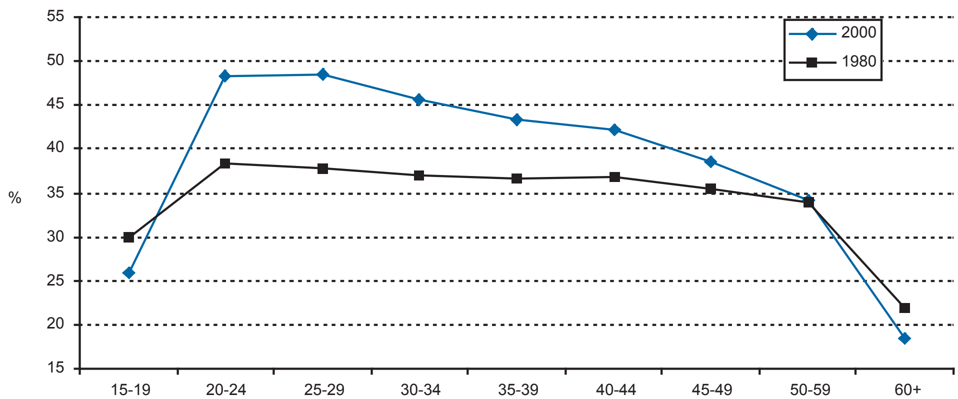
58. The rise in women's activity rates appears to be the combined effect of an array of recent trends such as:

- Progress in women's access to education and to professional training;

- Growing proportion of young women in the population structure and, consequently, in the active population;
- Decline in fertility rates and rise in the age of marriage;
- Expansion of the service sector;
- Expansion in manufacturing industries relying on female labour in some countries;
- Fall in real income and the escalating levels of poverty;
- High unemployment among men;
- Weakening of traditional channels of solidarity; and
- Growing flexibility of the labour market.

59. ***A sharp increase in the 20-30 occupational age group:*** Data for 1980 and 2000 show that women's activity rates have changed not only in terms of levels, but also in terms of age structure (figure X). The increase observed in women's entry in the labour market is distributed over all age groups, except the youngest (15-19 age group) and the oldest (over 60 age group). All the other age groups (from 20 to 59) display increasing activity rates, although this trend is much more marked for women aged between 20 and 30. In fact, in this age group, almost one out of two women was working in 2000, explaining in large part the general increase in women's activity rates.

Figure X: Average activity rates of women by age, North Africa, 1980 and 2000 (%)



Source: ILO (LABORSTA 2005)

60. ***Services are taking over from agriculture:*** The distribution by sector of economically active women is also beginning to change, tending to show greater diversification. While in 1980 over 70 per cent of working women were in the agricultural sector, this proportion had fallen to 57 per cent by 1990. Libya exemplifies

the dramatic decline as this rate went down from 63 per cent in 1980 to only 27 per cent in 1990. On leaving the agriculture sector, women mainly entered into jobs in the services sector, which concentrated one third (32 per cent) of active women in 1990, compared to 18 per cent in 1980. As for the industrial sector, this trend went up from 9.1 per cent in 1980 to 11.6 per cent in 1990.

61. ***The private sector offers opportunities but with some risks***: In North Africa, the public sector represents the main employer of the female workforce. In contrast, more men are found in the private sector. The highest concentrations of women employed in the public sector are found in Algeria (85 per cent of working women in the 1990s); in Egypt (57 per cent of working women in 1998 compared to 66 per cent in 1980); and in Sudan (41 per cent of the public administration).

62. During the 1990s, there was a slight drop in the women presence in the public sector, owing largely to policies for reducing public spending and to recruitment freeze. Women had to look for work elsewhere, in particular in the private sector. In Morocco and Tunisia, there would seem to be a 'feminization' of the private sector through an increase in the proportion of women working in it. If the private sector is to be the main source of jobs in the future, there is a danger that women's incomes and working conditions will deteriorate, compared to those in the public sector, unless steps are taken in time to prevent such a situation.

63. ***Persistence of wage differences:*** In spite of the scarcity of information concerning the relative salaries of men and women, the limited information and research available suggest that, for the same work or work of equal value, men's salaries are higher than those of women. However, a slight narrowing of the gap in salaries would seem to be emerging in some countries.

64. ***Self-employed women and women employers are emerging occupations:*** While data and studies concerning these two occupations are scarce available only for some countries, the information available shows a growing proportion of working women in these two categories. In Tunisia, studies emphasize that businesswomen are an emerging category whose number has risen from 287 in 1970 to 2633 in 1990 and 10,000 in 2004. In Morocco, the number of businesswomen managing and/or owning a business involving several sectors of activity and employing qualified labour is around 5000, which represents about 0.5 per cent of the total force of working women. This trend can generally be explained in terms of a combination of two main factors: on the one hand, the access of women to employment and education, and on the other hand, the growth of the private sector's share in the economy, especially that of the services sector.

65. Women's access to employment and education provides them with the confidence, networks, technical capacities and experience needed to start a business. Moreover, the difficulties women face in finding a job, especially those with high education, and their dissatisfaction with salaried work, may also explain why setting up a business is increasingly perceived as an "obliged" option for many of them.

66. ***Women's unemployment rates show worrying trends***: Data available on unemployment rates show that the proportion of active women looking for jobs without success has increased more and more women are looking for jobs (table 5). Over the last few years, women's unemployment rates have risen and they are, in all cases, higher than those of men. The high rates of unemployment among women could be explainable by the recent entry into the labour market of a large number of educated women of working age in a context of only moderate economic growth. Other determining factors include the rate of unemployment among men, which might be 'pushing' women into looking for work in order to compensate for their families' loss of income; staff cuts in the public sector; and a perceived preference for men among employers. It should be noted that a strong link has been established between high unemployment rates among women and the gradual feminization of migration towards foreign labour markets.

67. ***Women in the informal sector: An emerging trend*****:** An analysis of women's economic participation is not complete without looking at the informal sector and the place of women within it. Available data show that the informal sector plays a key role in the North African economies; almost half of the working force outside the agricultural sector is found in the informal sector.

68. On average, the informal sector employs 43 per cent of women and 49 per cent of men outside the agricultural sector. However, given that agricultural activities represent an important source of employment for women, their exclusion from the data relating to informal work considerably reduces the size of the informal sector and hence women's share (both absolute and relative) in this sector. The majority of women who work in the informal sector (72 per cent) are self-employed, working either for themselves or as "contributing family workers" in informal businesses. Only a minority work for wages (28 per cent on average). Although the majority of men working in the informal sector (60 per cent) are also self-employed, the proportion of informal wage-earners among men (40 per cent) is higher than among women.

Table 5: Unemployment rates by sex, some North African countries, 1997-2003 (%)

	1997	1998	1999	2000	2001	2002	2003
Algeria							
National	26.4			29.8	27.3		
Men	26.9			33.9	26.6		
Women	24			29.7	31.4		
Egypt							
National	8.4	8.2	8.1	9	9.2	10.2	
Men	5.2	5.1	5.1	5.1	5.6	6.3	
Women	19.8	19.9	19.4	22.7	22.6	23.9	
Mauritania*							
National				28.9			
Men				25.7			
Women				33.9			
Morocco (Urban)							
National	16.9	19.1	22	21.5	19.5	18.3	19.3
Men	15.3	17.5	20.3	19.9	18	16.6	17.4
Women	21.8	24.4	27.6	26.7	24.7	24.2	25.8
Tunisia**							
National	15.7						
Men	15.4						
Women	16.7						

Sources: ILO (LABORSTA, 2005); * Mauritania: Ministry of Economic and Development Affairs, 2005 **: Tunisia, 2004.

B. Major impediments to women's economic participation remain

69. ***Women's potential remains inadequately tapped:*** Despite the rising trend exhibited by women's activity rates, the literature is unanimous in emphasizing that North Africa presents a paradox. On the one hand, the subregion has the lowest rates of women in employment in the world; yet, on the other hand, women's access to education is equivalent if not superior to that observed in other developing countries. Moreover, women in North Africa do not face any legal barrier to their access to economic activity. The investment in girls' education made by families and governments and the fall in fertility rates should have had a more rapid and more powerful impact on women's activity. This has not been the case. North Africa thus has an unexploited potential of human capital in its educated women, which leads to losses of economic growth, jobs and wellbeing for families, and the society as a whole.

70. ***The burden of family responsibilities on women****:* Studies of women's activity unanimously agree that the major obstacle to women's work is their family responsibilities. They have far more difficulties than men in striking a balance between work and family responsibilities; they therefore make concessions in their work, being less mobile, doing fewer hours of work, taking on fewer responsibilities and progressing less far in their careers, leaving and returning to the labour market more frequently and even giving up work outside the household.

71. ***The segregation and disparities in the provision of guidance and training****:* While school enrolment has now attained similar levels for boys and girls, there are still differences in the programmes followed by the two sexes. Insufficiently diversified careers guidance for girls has consequences in terms of employment prospects and unemployment, since it leads to a concentration of women in a limited number of professional sectors, and therefore to a competition between women themselves in sectors where they are present in great numbers.

72. ***Lack of visibility of women's work***: Lack of regular data and research contributes to the failure to give proper recognition to women's work, formal and informal, paid and unpaid, in national development policies and programmes, including employment promotion.

73. ***Low productivity of women's economic activities*****:** Self-employed women within the formal and informal sectors constitute a pool of potential micro-entrepreneurs. However, lack of financial and institutional support impedes their productivity increase and growth potential.

C. Strategic policy interventions are required

74. Given the context of the subregion, some suggestions can be made for the improvement of women's economic participation in strategic areas:

- Increase the visibility of women's contribution to the economy through the continuous and systematic collection of statistical data and the gender analysis of men and women's work in the formal and informal sectors;
- Support women in assuming their family responsibilities, which are essential for reproduction and social cohesion (maternity, care of children and other dependents, domestic tasks, etc);
- Increase the productivity and income of women, especially those working in the informal and agricultural sectors;
- Increase and improve training services; and
- Promote and support women's organizations, especially those in the informal and agricultural sectors.

V. Regional Issues

75. The period under review has also witnessed a resurgence of regional dynamics in the North African context. The first dynamic is the growing regionalization across the North African subregion that has created an environment conducive to increasing the patterns of interaction. This process is as much an instrument for accelerated structural transformation as it is a way for more global integration.

76. One issue that highlights the pertinence of a subregional approach is the scarcity of water resources, which causes further deterioration in lands that are insufficiently irrigated and that give poor yields. One of the major challenges facing the countries of the subregion at the beginning of this millennium is thus that of achieving a judicious mobilization and management of water resources, in order to ensure fair and sustainable water use for all.

A. A multitude of trade partnership agreements to circumvent the stalled integration process

77. There is growing evidence that motivating countries for entering into subregional and regional integration is possible through enhancement of trade and investment levels and achievement of higher levels of economic growth and material welfare. This process, if successfully implemented, has the potential to extend production chains, increase market size and promote economic transformation of the concerned countries. In this context, it is not surprising that North African countries are also striving for greater subregional integration.

78. North African countries particularly those in AMU, which was created in 1989, experienced a continued slow down in the process of integration of the economies of the subregion. This situation was circumvented by a number of countries through the signing of a series of bilateral trade arrangements. However, these agreements did not create the desired production chain and bilateral trade potential because of the narrow market base. Therefore, the need for greater economic integration to extend bilateral free trade agreements (FTAs) to other countries arises.

79. It is in this context that countries became involved in intra- and inter-regional agreements, the most prominent of which is the Euro-Mediterranean Partnership, which was launched in 1995. Furthermore, two major developments took place in 2001. The first was the Arab League's decision (Amman, March 2001) to establish an all-Arab FTA in 2007, and the second was the signing of the Agadir Agreement (Agadir, May 2001) through which Morocco, Tunisia, Egypt and Jordan took the

decision to combine their existing bilateral trade arrangements to form a common FTA. Furthermore, in the process of integration to the world economy, North African countries have initiated concrete actions towards establishing relations with other multilateral integration areas. Table 6 below summarizes trade agreements with various partners.

Table 6: Summary of various trade agreements of North African countries with other countries, groups of countries, multilateral integration areas and the WTO

	Algeria	Egypt	Libya	Mauritania	Morocco	Sudan	Tunisia
Algeria			PT	TA (FT)	TA 1989/99 FTA)		TA 1981/91(FTA)
Egypt			TA 1990/91		Bilateral FTA		Bilateral FTA
Libya	PT	TA 1990/91		PT	TA 1990/90 (Rat. 1992) (FTA)a		FTA 2001/02
Mauritania	TA (FT)		PT		TA 1986/93 a		TA 1964/89 - 1988 (FT)
Morocco	TA 1989/99 (FTA)	Bilateral FTA	TA 1990/90 (Rat. 1992) (FTA)	TA 1986/93		TA	Bilateral FTA
Sudan					TA		
Tunisia	TA 1981/91(FTA)a	Bilateral FTA	FTA 2001/02	TA 1964/89 1988 (FT)	Bilateral FTA		
AMU	M1989	Association demanded	M1989	M1989	M1989		M1989
GAFTA	Negotiating	M1997	M1997		M1997		M1997
SinSad		M2001	M1998		M2001		M2001
Other Arab Countries:	Iraq: FTA 2001 Syria: TA 1979 (& 1997) Jordan: CA/TA 1997/IF	Jordan: Agadir Iraq: FTA 2001/01 Lebanon: FTA 2002/IF Syria: FTA 2002/IF Palestine: CA/TA	Unilateral FT with Arab Countries		Jordan: Agadir Lebanon: CA 1972/73 (PT) Syria: CA/TA 1972/IF UAE: FTA 2001/03 a S. Arabia: TA 1966/68 Iraq : TA 1976 (FT)	Jordan : FTA 2003/IF	Jordan : Agadir Kuwait : CA 1988/88 (FT) Iraq: FTA 2001 Yemen : CA 1983/83 Lebanon: FTA 1972 1998/99 Palestine: FA 1994 Syria: TA 1977/IF (FT)
EU	Cooperation Agreement Euro-Med Association Agreement	Euro-Med Association Agreement		Partnership Agreement with ACP countries	Euro-Med Association Agreement		Euro-Med Association Agreement
Turkey		FTA neg.			FTA 2004		FTA 2004
USA	TIFA	TIFA 1999; FTA negotiation			FTA 2004		TIFA
WTO	Negotiating	M1995	Observer	M1995	M1995	Negotiating	M1995
COMESA		M1998 (FTZ 2000)					
UEMOA	Negotiation mandated	Association under negotiation			Association under negotiation		Association under negotiation

Notes: CA: (economic, commercial, trade) cooperation agreement; IF: in force (no date given); FA: framework agreement; FT: Free Trade (with negative lists); PT: Preferential Trade (with positive lists); TA: Trade (and tariff) agreement; TIFA: Trade and Investment Framework Agreement.

1. The Euro-Mediterranean Partnership

80. According to many analysts, the Europeans began to search for a more comprehensive Mediterranean policy, particularly when the Middle East conflict and Arab oil policy were increasingly perceived as threats to Europe's economic interests. It was at the meeting of Foreign Ministers in Barcelona in 1995, which assembled the then 15 European Union (EU) members and 12 Eastern and Southern Mediterranean countries that a Euro-Mediterranean Partnership Declaration was agreed, with its economic and financial, political, social and cultural aspects[12]. The Partnership was intended to set up a Mediterranean-wide free trade area within a twelve-year transition period[13] whose Southern members would not only be bilaterally linked to the EU, but would also abolish trade barriers between themselves.

81. Table 7 below shows the present situation for countries of the subregion as follows: agreements with Morocco and Tunisia, are in force; Egypt signed the Euro-Mediterranean agreement in June 2001, while Algeria has only concluded negotiations. Due to the lengthy nature of the ratification processes, an interim trade agreement can come into force more quickly if both sides agree, and this is a possibility for Algeria. Libya currently has observer status at certain meetings of the Euro-Med Partnership.

Table 7: Euro-Mediterranean Agreements concerning North African Countries

Partner country	Type of Agreement	Negotiations concluded	Date of signature	Entry into force
Algeria	Cooperation Agreement Euro-Med Association Agreement	12/2001	04/1976 04/2002	11/1978 In process of ratification
Egypt	Euro-Med Association Agreement	06/1999	06/2001	06/2004
Mauritania	Partnership Agreement with ACP countries	02/2000	06/2000	04/2003
Morocco	Euro-Med Association Agreement	11/1995	02/1996	03/2000
Tunisia	Euro-Med Association Agreement	06/1995	07/1995	03/1998

82. Trade liberalization under the terms of the Association Agreements is reciprocal by asymmetric. In addition to duty- and quota-free access for all industrial products, the Mediterranean countries will open their markets gradually over a period of up to 12 years. The envisaged liberalization of agricultural trade is still very limited. The

12 Morocco, Algeria, Tunisia, Egypt, Israel, Jordan, the Palestinian Authority, Lebanon, Syria, Turkey, Cyprus and Malta.

13 The original deadline announced in the Barcelona Declaration was 10 years.

Agreement also included a commitment to negotiations on services liberalization no later than five years after they enter into force.

73. However, in recent years, hopes for political and economic gains or a deepening partnership have gradually given way to disenchantment. The Barcelona + 10 Summit held in Barcelona 27-28 November 2005, celebrating the tenth anniversary of the partnership provided an opportunity to stress major remaining challenges in order to realize the full potential of the Barcelona Declaration. Politically, the non-settling of the Israeli-Palestinian conflict, the European Eastern enlargement, and the on-going dispute on the Western Sahara are major factors to be looked into. Migration and terrorism have also been identified as major shortcomings. Economic results are also disappointing; in particular, the pace of expected reforms (fiscal and institutional) have been slow. Partner countries have come up with very limited results, in particular in terms of financial assistance. In addition, critical tariff reductions are only in their early stages. Thus, intra-regional trade accounts only for 0.6 per cent and 1.5 per cent of total imports and exports, respectively.

2. The Agadir Agreement

84. The Agadir Agreement aims at creating a common FTA between Egypt, Jordan, Morocco and Tunisia by 2005 and commits the parties to removing substantially all tariffs on trade between them by 1 January 2005, and to intensifying economic cooperation notably in the field of harmonizing their legislation on standards and customs procedures. Prior to the Agreement, all four countries had concluded bilateral FTAs with each other to accelerate the relatively slow-moving ten-year Pan Arab trade liberalization programme (see table 8 below). With the Agadir Declaration, signatories voiced their intention to create a market of 100 million people with an aggregated GDP of approximately $US150 billion. They agreed to act in favour of its enlargement to all Arab Mediterranean countries.

Table 8: Bilateral Trade Agreements before the Agadir Agreement

Signatories	Signing	In Force	End of Transitional Period	Dismantling Process of Existing Tariffs
Egypt Tunisia	03/1998	03/1999	12/2007	Linear; 0-20%: over 5 years >20%: over whole transition period
Morocco Tunisia	03/1999	03/1999	12/2007	Progressive, over 10 years
Tunisia Jordan	04/1998	1999	10 years	Linear, over 10 years
Morocco Jordan	06/1998	13/1999	12 years	Gradual; 0-25%: over 5 years >25% to 25% over 5 years with subsequent total elimination over 7 years
Egypt Jordan	12/1998	12/1998	12/2005 (7 years)	Gradual; at a rate of 10-15% annually over 7 years
Egypt Morocco	05/1998 05/2000	04/1999 02/2003	12 years max.	Gradual; 0-25%: over 5 years >25% to 25% over 5 years with subsequent total elimination over 7 years

Source: Steffen Wippel (2005), The Agadir Agreement and Open Regionalism. EuroMeSCo Paper 45.

85. Various expert working groups were to convene regularly to draft a treaty on the establishment of the FTA. There were some agreed concrete steps towards the reduction of customs duties on industrial goods. The agreement was to become effective in 2003 with an immediate tariff reduction of 65 per cent; at the beginning of 2004 and 2005, tariffs were calculated to decrease further to 20 per cent and 10 per cent respectively of their initial levels, and conclude with the introduction of free trade in January 2006. However, because of political shortcomings, concluding meetings and final decisions were delayed or postponed. As a result, tariff dismantling began later than expected. To accelerate the process, customs duties and taxes of similar effect on industrial goods were to be reduced by 80 per cent (based on rates for the end of 1997) when the agreement came into force and be completely abolished in January 2005.

86. A major problem with the Agadir Agreement was the definition of "rules of origin" that could be harmonized with those of various Euro-Mediterranean Association Agreements between member countries and the EU. The main issue has been the compatibility of Euro-Med and Pan-Arab cumulation regimes. Finally, in accordance with the conclusions of the 2003 Euro-Med Trade Conference, the Agadir country members agreed to adopt the Pan-Euro-Mediterranean regime both among themselves and with the EU. This might be the reason why the Agadir process enjoys political support from the EU, which regards the process as a crucial step in reaching the full Euro-Med Free Trade Zone deadline in 2010.

3. The Greater Arab Free Trade Area (GAFTA)

87. There was also progress at a broader regional level with the coming into effect, at the beginning of 2005, of an Arab free trade zone eliminating customs duties on inter-Arab trade. This free trade zone has the overall objective of increasing inter-Arab trade as well as Arab and foreign investment in the subregion. This, in turn, is expected to boost economic growth and raise the standard of living of Arab citizens. The coming into effect of the zone involves the removal of customs duties and taxes of equivalent effect on industrial goods traded between the group, now numbering 13 Arab countries.

88. Nonetheless, although a free trade zone was formally introduced, many details remained unsolved. Problems such as geographic distances, diversity of subregional economic and political orientations and lack of infrastructure are among the most important. There are also various administrative, technical and financial barriers along with persistent inter-Arab tensions as well as lack of political will to push the process further. Moreover, much remains to be done in areas such as the right of establishment and free movement of capital and labour.

4. Other regional cooperation arrangements

89. As another possible compensation mechanism (for stalled integration at the sub-regional level) many North African countries achieved significant progress in cooperation arrangements with countries outside the Arab subregion as outlined below.

(a) Arab and trans-Saharan integration

90. North African countries also engaged in economic arrangements with African regional organizations, with Egypt having advanced the most as it joined COMESA since 1998, when it was on the way of establishing a free trade zone. Morocco reinforces its relations with the West African Economic Monetary Union (WAEMU) by initiating a preferential trade and investment agreement in 2000. Tunisia and Egypt are negotiating similar engagements with WAEMU. Furthermore, Egypt, Morocco, and Tunisia joined the Community of Saharan and Sahelian States (Cen-Sad).

b) Bilateral agreements with other Arab countries, Turkey and the USA

91. Some other bilateral agreements were with countries outside the sub-region namely the Free Trade Agreements between: Morocco and the USA (ratified by the USA Congress in July, 2004); Morocco and Turkey (April, 2004); Tunisia and Turkey

(2004); *Tunisia with the European Free Trade Association (EFTA - Iceland, Liechtenstein, Norway and Switzerland. (December 2004)*

92. The overlapping of the above various partnership arrangements raises some interesting questions regarding the optimal mix of regional trade agreements for each country and the potential synergies between them (rules of origin, plurality and lack of transparency of legal regimes for exporting companies, and particularly for small and medium-scale enterprises) and between them and the multilateral liberalization commitments within the World Trade Organization (WTO).

B. Challenging water mobilization

93. The perennial cycles of drought that continue to beset the subregion combined with increasing desertification are a cause of relentless land and environment deterioration. This situation, which is structural, has been a major constraint to agricultural development. It is also related significantly to the general problem of water resources in the subregion. In this respect, analysis of the major indicators of water demand and of the state of water resources development in the countries of the subregion noted that the area as a whole is poor in water resources[14].

94. This situation is likely to get worse in the future, given the climatic changes that are reducing resources on the one hand, and the rapid growth in the demand for water on the other. The situation is compounded by increasing pollution and the silting up of reservoirs. Therefore, achieving judicious harnessing and management of water resources to ensure fair and sustainable water use for all, remains one of the human survival challenges of the century for the North African peoples.

1. Promoting better harnessing and use of water resources

95. In Mauritania, the water resources are mainly surface water**.** The surface waters are estimated at 7.1 km3, and 54 per cent of them are harnessed (3.75 km3). Given the very limited role of underground water resources, this figure can also be taken to represent the overall rate of mobilization. Out of the 3.75 km3 harnessed, Mauritania uses only 1.3 km3, giving a rate of use of 17.5 per cent. No evaluation has been made for the long-term harnessing of water resources, but current perspectives suggest that in 2025 the country will have sufficient water resources to meet its needs at that point.

96. In Morocco, the surface waters harnessed at present are estimated at 10.75 km3 out of 16 km3 that are exploitable, which represents a mobilization rate of 67 per cent. Underground water is mobilized at a rate of 67 per cent (2.7 km3 harnessed out of 4

14 See details in the subregional "Summary Report on Exploitation of Water Resources in North Africa".

km3 of renewable water). However, a mobilization rate of 100 per cent is necessary to take over-exploitation into account. Overall, the exploitation rate of water resources amounts to 67 per cent (74 per cent if the over-exploitation of underground water is taken into account).

97. Current perspectives suggest that the balance between water needs and water supply will be maintained until 2030, by means of measures such as transfers from areas with a surplus of water to those with a shortfall, water economy measures, programmes to reduce pollution, and the use of non-conventional water sources in arid zones.

98. Algeria has harnessed 100 per cent of its renewable underground water, taking into account the figure put forward for the total amount withdrawn, which is 3.3 km3. The country is said to have 12.4 km3 of potential surface water at its disposal, which suggests that the rate of harnessing surface water is very low (if the volume used by the dams (1,598 km3) is taken into account). It could be estimated at between 16 per cent and 24 per cent if quantities of water obtained from running water are added, which means an overall volume of exploited surface water estimated at between 2 and 3 km3. The total water resources (15.2km3) would thus appear to be harnessed at a rate of only 20 to 26 per cent, or 5.8 to 6.8 km3. Algeria will thus have to commit itself to large-scale investments to complete the harnessing of its surface water, and complement this with non-conventional water resources, in particular through desalination of seawater.

99. The water reserves of Tunisia are at present slightly surplus to its needs, since it has exploited 94 per cent of its underground water resources and 90 per cent of its surface water resources, giving an overall harnessing rate of 92 per cent. Taking account of the imbalance that will soon arise between renewable water resources and water needs, Tunisia will in future have to rely more and more on the use of non-conventional water resources, and will have to be vigilant in managing demand.

100. Libya, which has very limited water resources, has for a long time been in a situation of imbalance between water resources and water needs. To offset this imbalance, Libya has turned to non-conventional water sources and to mining as a means of exploiting its underground water resources, which, we may recall, are non-renewable.

101. In Egypt, the water used in 2000 was estimated at 70 km3 (FAO), which is already far in excess of the available resources. It has to be noted that We may recall that Egypt is endowed with 55.5 km3 of water from the Nile. To reverse this imbalance, Egypt has several solutions, which include recuperating surplus supplies from the Nile, using mining to exploit underground water at a rate of 2 to 2.5 km3 per annum, increasing the use of drainage water from irrigation, which would allow the recuperation of 2 to

2.5 km3, increasing the use of treated waste water (1 km3), and economizing the use of almost 1 km3 of irrigation water.

102. With these measures, Egypt should be able to obtain 8 or 9 extra km3 of water resources. However, even if these measures are successfully carried out, they will barely be enough to re-establish the balance between water needs and water resources for the present. What will happen in the medium and long term?

103. Sudan has access to an annual volume of 20 km3 from the Nile. When this is added to the internal water resources, it gives a total of 30 km3 of available water resources. The present demand for water is estimated at 25 km3, that of 2025 at 48 km3. These figures suggest that an imbalance between water resources and water needs will shortly arise, and that this imbalance will be considerable by 2025.

104. To sum up, the analysis of the major indicators for water demand and of the state of water exploitation in the countries of the subregion leads us to make to the following observations:

- Only three countries (Mauritania, Morocco and Algeria) still have some reserves to draw on for further harnessing of surface water resources;
- All the countries of the subregion have practically used all their potential in underground water; although Morocco and Algeria still seem to have some latitude for further development, this must be corrected to take into account the phenomenon of over-exploitation; and
- The rate of utilization of water resources has already reached its maximum for four countries (Tunisia, Libya, Egypt and Sudan), Mauritania has considerable latitude for manoeuvre, and Morocco will reach saturation by 2025-2030. For Algeria, the rate of utilization of water resources is very low, but this does not demonstrate a good match between water needs and water resources, because the country is so behind in its harnessing of surface water resources. It is very likely that this rate will change in the medium term, given the considerable programme of dam building currently being carried out by the Algerian Government.

2. Water resources management: Focusing on demand management

105. The growing water crises are due not only to the rapid increase in demand for water, but also to the way in which water is managed. Current perspectives suggest that managing the water supply must go hand in hand with strategies and actions for managing the demand in order to ensure sustainable satisfaction of water needs of the countries of the subregion. In light of the diversity of situations between countries and within a single country, the major difficulties encountered in water management

and future prospects are summarized below for the countries that have mentioned these issues in their national reports.

106. In Algeria, the indicators for water resource development suggest that the country should, above all, place stress on managing demand, and in particular on making up for its slow progress in exploiting its surface water resources. In reality the surface water resources are not evenly distributed between different parts of the country, and the underground water resources, except for a small area in the north of the country, are already over-exploited.

107. Algeria needs to take further steps to manage demand. It has already achieved some goals through adoption of a new water management strategy, relying in particular on:

- Progressive price scaling;
- Integrated and participative management of catchments;
- High standards of professional training, education and consciousness-raising about water problems; and
- Efficient monitoring of water quantity and quality.

108. Mauritania's comfortable position with regard to water resources is only relative; the country possesses, in the River Senegal, the potential for harnessing sufficient water to meet its needs for a few decades to come, but the geographic situation of this resource makes it difficult for the water to be distributed across the country. Moreover, most of Mauritania is situated in an arid zone, which means that actions must be taken to manage the demand for water. The context is not conducive to such actions however, as the management structures are fragile and the responsibilities of the bodies in charge of managing water have been diluted.

109. In Morocco, while the technical solutions able to resolve the problems of water management have been identified and seem easy to put into practice at the sectoral level, in reality, these measures face a problem of apathy. This apathy can be traced to the compartmentalization of the roles assigned to the authorities responsible for the various subsectors dealing with water, and to the inadequate coordination between these sub- sectors. The result is a lack of coherence between the various sectoral programmes, with the negative consequences mentioned above.

110. With the aim of giving their water policy an orientation better adapted to the changes in natural conditions and socio-economic trends already coming into play, the Moroccan authorities are preparing a National Water Plan that aims to put forward long- term programmes of work to be implemented in a coherent and concerted manner, in order to ensure sustainable and enhanced water management.

111. Tunisia has long had a strategy for managing demand, given the delicate balance between its water needs and water resources. This strategy consists in particular in the adoption of a price scale system encouraging water saving, ambitious programmes to combat water pollution, an integrated management of water resources, and large-scale use of treated waste water.

3. Sharing water resources

112. ***Morocco – Algeria*:** In Morocco, a negligible part of the water resources are shared with Algeria; it concerns in one hand the ground water of Angads (a few million m3 mobilizable) and the Kiss Wadi, of weak and no regular flow, both located at the North-East of Morocco; it concerns, in the other hand, the Wadi Bouanane, of which the flows are primarily those of the floods, feeding the dam storage of Jorf Torba in Algeria. These three shared water resources have not been, until now, the subject of an agreement between the two countries.

113. ***Algeria – Tunisia*:** The flow of surface water from Algeria to Tunisia is estimated at 300M m3, while that in the other direction is estimated at 183M m3 (Tunisia's estimates), or at 153M m3 (Algeria's estimates). Between Algeria and Tunisia there has long been an official partnership in the form of joint technical commissions for the exchange of information and experience concerning the harnessing and management of water resources in the border basins. These commissions take action when necessary to resolve certain urgent problems.

114. ***Algeria – Tunisia – Libya*:** Algeria, Tunisia and Libya share the exploitation of the ground waters of the North Sahara Aquifer System (SASS). Over recent decades, SASS has seen exploitation increase from 0.6 to 2.2 billion m3 per annum. This system involves the superposition of two major deep aquifer layers, the deepest formation of the Intercalary Continental (IC) and the Terminal Complex (TC). It contains large stocks of water, which are largely non-renewable and are not totally exploitable; it poses a number of risks, including those relating to the degree of salination, reduced artesian water supplies and the drying up of outlets. The SASS extends over about a million square kilometres, covering parts of Tunisia (80,000 km3). Algeria (700,000 km3) and Libya (250,000 km3). The present exploitation programme has reached 2.2 billion m3 per annum: 1.33 billion in Algeria, 0.55 billion in Tunisia and 0.33 billion in Libya.

115. ***Egypt – Sudan and the other countries along the Nile*[6]: -** In 1997, the World Bank, UNDP and CIDA began to work together as 'cooperation associates' in order to facilitate dialogue and cooperation between the States bordering the Nile, creating a climate of confidence in which a mechanism for working together could be established. In 1999, the Nile Basin Initiative (NBI) was set up in Dar es Salaam in order to

prepare the groundwork for a new era of cooperation between the States bordering the Nile. The major objective of the NBI is 'to achieve sustainable socio-economic development through the equitable utilization of, and benefit from, the common Nile basin resources'. The ten countries concerned by the Initiative have thus set a permanent body in place, responsible for evaluating and monitoring measures taken for coordination of the management of Nile water resources.

116**. *Mauritania and the other countries on the Senegal River*:** The management of the waters of the Senegal River, which is the major water resource of Mauritania, is the responsibility of the Office for the Exploitation of the River Senegal (Office de Mise en Valeur du Fleuve Sénégal: OMVS), which is a body set up by the states which share the waters of the River Senegal (Senegal, Mauritania, Mali).

117. The River Senegal is divided into four hydraulic sectors starting from the hydrological control works at Bakel, upstream in Senegal. The management companies SOGED and SOGEM (subsidiaries of the OMVS) collect data every day on the level and rate of flow at two dams and ten hydrological control works, and provide instructions for the operating of the works at Manantali (Mali) and Diama (Senegal). The operation of the floodgates situated on the dykes along the river is also carried out by the OMVS at the request of the bodies in charge of irrigation of the countries concerned, which are the SONADER (in Mauritania) and the SAED (in Senegal).

118. To sum up, most of the countries of the subregion have until now adopted a policy of water resource management oriented mainly towards supply. The management of demand, however, offers possibilities for harnessing and using water resources at a lower cost. Since there is a danger that they will soon face serious water shortages, which will have to be dealt with at a much greater cost, it is recommended that the governments of the subregion should undertake the following actions without delay:

- Put in place the means needed for measuring and evaluating water resources;
- Draw up long-term plans for the development of water resources, which will make it possible to assign water resources by type of use and according to priorities, and to schedule the realization of hydraulic work at the appropriate times;
- Create structures for the decentralized and participative management of water resources;
- Introduce and put legislation into practice for the efficient regulation of the use of water resources;
- Strengthen the capacities at all levels of the water sector and all its partners; and

- Create a framework of cooperation specific to the subregion, taking into account the similarities between the water problems of the countries concerned and the considerable possibilities for exchanging experiences.

VI. Policy Challenges and Prospects

119. The above analysis has shown that, between 2000-2004, the economic and social performances of North African economies have been mixed, even for countries such as Tunisia that have become integrated with the world economy. There are a number of reasons for this situation, including the modest pace of structural reforms and weak macroeconomic policies. A major contributing factor has been the slow progress made by these countries in opening their economies to trade and investment. North African economies continue to be constrained by their narrow export base. Moreover, bilateral trade between them is limited and well below potential; it accounts for only a small fraction of each country's total trade.

120. Persistence of the current inadequate growth performance of these countries could disrupt the delicate social balance they have achieved (evidenced by the MDGs Evaluation). This is particularly true considering increasing urban poverty and high active population rates, which result in high unemployment rates.

120. In the foreseeable future, the major determinants of the North African economic performance will continue to be based on the outturn of the two exogenous factors - weather conditions and integration in the external economic environment. In addition to this, the pursuit of strong economic reforms will continue to be an important domestic determinant of performance.

121. According to SRO-NA estimates, the growth of the African economy is forecast to rebound to 5.1 in 2005 against 4.7 in 2004. This higher projection is based on the assumption that conducive weather conditions will prevail and oil prices will continue to improve. Indeed, the most important export product that may feel the impact of this development is oil for the majority of North African countries are oil producing and exporting.

122. On the domestic front, the higher-growth scenario assumes that North African governments will continue to implement vigorously the macroeconomic management reforms that emphasize reducing the rate of inflation and budget deficits, eliminating current-account and balance-of-payments deficits, and efficiently managing the external debt. These measures have to be complemented by programmes that place emphasis on the reduction or eradication of pockets of poverty, meeting the basic health, housing, educational and social needs of the population, reducing income inequality, raising the standards of living and per capita income of the citizens, protecting the environment and promoting diversified, self-reliant and sustainable development.

123. Whether in structural transformation of the economies or women participation or in realizing the MDGs including those for environment and water, regional approaches and initiatives often yield higher dividends than do many disjointed national efforts. One issue that highlights the pertinence of a subregional approach is the scarcity of water resources. In this case, policy implications that derive from the analysis of the water question include the following:

a) Put in place at national and subregional levels the means for measuring and evaluating water resources;
b) Draw up at national and subregional levels long-term plans for the development of water resources including harmonized legislation for the efficient regulation of the use of water resources and the decentralized and participative management of water resources; and
c) Create a framework of cooperation specific to the subregion and for exchanging experiences.

124. A second issue related to regional approaches and initiatives relates to the diversification of the North African economies. Almost all the countries of the subregion suffer from a lack of diversification, which leads to high dependence and constitutes a hindrance in the search for alternative sources of growth. This has many policy implications at the national and subregional levels such as:

a) Encouraging greater expansion of the productive bases with the targeting of 'leading sectors'
b) Developing specialisation strategies, which could encourage the development of exchanges between countries, allowing them to escape the concentration of trade with Europe, their major economic partner.
c) Ordination of statistical activities between the different actors at regional and subregional levels;
d) Technical assistance to countries carrying out analyses;
e) Publication of the data obtained from household surveys;
f) Setting up of an Observatory of Economic Integration by SRO-NA to serve as a tool for incorporating the collection and organization of interdependent data, focused mainly on questions of regional integration.

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