http://www.oblible.com

المملكة المغربية

THE KINGDOM OF MOROCCO

€1,000,000,000 3.5% Notes due 2024

Issue Price: 98.337%

The €1,000,000,000 3.5% Notes due 2024 (the "**Notes**") issued by the Kingdom of Morocco (the "**Issuer**", the "**Kingdom**" or "**Morocco**") will, unless previously redeemed or cancelled, be redeemed at their principal amount on 19 June 2024. See "*Terms and Conditions of the Notes—5. Redemption, Purchase and Cancellation*".

The Notes will bear interest from and including 19 June 2014 at the rate of 3.5% *per annum* payable annually in arrear on 19 June in each year. The first payment of interest on the Notes will be made on 19 June 2015 for the period from, and including, 19 June 2014 to, but excluding, 19 June 2015. Payments on the Notes will be made in Euros without deduction for, or on account of, any Moroccan withholding taxes unless such deduction or withholding is required by law, in which case the Issuer will pay additional amounts in respect of such taxes, subject to certain exceptions as set forth in "*Terms and Conditions of the Notes—7. Taxation*" and "*Taxation*".

**AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS
PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS DESCRIBED
UNDER THE SECTION HEADED "*RISK FACTORS*" IN THIS PROSPECTUS.**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This prospectus (the "**Prospectus**") constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "**Prospectus Directive**"). Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority, under the law of 10 July 2005 on prospectuses for securities implementing the Prospectus Directive in the Grand Duchy of Luxembourg (the "**Law on Prospectuses for Securities**"), to approve this document as a prospectus. The CSSF gives no undertaking as to the economic and financial soundness of the transaction or the quality or solvency of the Issuer in accordance with Article 7(7) of the Law on Prospectuses for Securities. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market (the "**Market**") and to be listed on the Official List of the Luxembourg Stock Exchange (the "**Official List**"). References in this Prospectus to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. There is no assurance that a trading market in the Notes will develop or be maintained.

The Notes will be offered and sold in registered form and in denominations of €100,000 and any amount in excess thereof that is an integral multiple of €1,000. The Notes will be represented by beneficial interests in a global note (the "**Global Note**") in registered form without interest coupons, which will be registered on or around 19 June 2014 (the "**Closing Date**") in the name of BNP Paribas Securities Services, Luxembourg Branch, acting as common depositary on behalf of Euroclear Bank SA/NV, ("**Euroclear**") and Clearstream Banking, *société anonyme*, ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form. See "*Provisions Relating to the Notes in Global Form*".

Long-term foreign-currency debt of the Kingdom is currently rated BBB- with a stable outlook by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and BBB- with a stable outlook by Fitch Ratings Limited ("**Fitch**"). The Notes are expected to be rated BBB- by each of S&P and Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation. The credit ratings included or referred to in this Prospectus will be treated for the purposes of Regulation (EC) № 1060/2009 on credit rating agencies (the "**CRA Regulation**") as having been issued by S&P and Fitch, respectively. Each of S&P and Fitch is established in the European Union (the "**EU**") and is registered under the CRA Regulation. As such, each of S&P and Fitch is included in the latest update of the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation as at the date of this Prospectus. Any change in the rating of the Notes could adversely affect the price that a purchaser will be willing to pay for the Notes. See "*Risk Factors—Risks Relating to the Kingdom—The Kingdom's Credit Rating*".

Joint Lead Managers

BNP PARIBAS | **COMMERZBANK** | **NATIXIS**

The date of this Prospectus is 18 June 2014.

http://www.oblible.com

RESPONSIBILITY STATEMENT

The Kingdom accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Kingdom (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Kingdom are honestly held by the Kingdom, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Information included herein that is identified as being derived from information published by the Kingdom or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Kingdom. All other information herein with respect to Morocco is included herein as a public official statement made on the authority of the Ministry of Economy and Finance.

IMPORTANT NOTICE

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers (as defined in "*Subscription and Sale*"). Neither the delivery of this Prospectus nor any offer or sale of the Notes made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in Notes of any information coming to their attention. This Prospectus may only be used for the purpose for which it has been published.

The Joint Lead Managers have not separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by the Joint Lead Managers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes or their distribution.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Kingdom or the Joint Lead Managers that any recipient of this Prospectus should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Kingdom. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Kingdom or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Kingdom is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

This Prospectus does not constitute an offer to sell or an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, nor does this Prospectus constitute an offer or an invitation to subscribe for or purchase any Notes and it should not be considered as a recommendation by the Issuer or any Joint Lead Manager that any recipient of this Prospectus should subscribe for or purchase any Notes. The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. None of the Issuer or the Joint Lead Managers makes any representation to any recipient of this Prospectus regarding the legality of an investment in the Notes by such recipient under applicable investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of its purchase of the Notes. For a description of certain restrictions on offers, sales and deliveries of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

The Notes have not been registered with, recommended by or approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (THE "STABILISING MANAGER") (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE INITIAL ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Prospectus may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain ("**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 (or equivalent in other currencies).

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (Decree Law № 64 of 2006). The offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than as marketing to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered the prospectus or related offering documents, and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Kingdom is a sovereign state. Consequently, it may be difficult for investors to obtain or rely upon judgments against the Kingdom in courts outside Morocco or in a jurisdiction to which the Kingdom has not explicitly submitted. In addition, a substantial portion of the assets of the Kingdom is located outside of England and Wales. As a result, it may not be possible for investors to enforce judgments obtained in courts located in England and Wales or elsewhere against the Kingdom. The Kingdom has irrevocably appointed the Ambassador of the Kingdom to the Court of St. James's as its authorised agent for the service of process in England and Wales.

The Kingdom has irrevocably submitted to the non-exclusive jurisdiction of the courts of England and Wales for purposes of any suit, action or proceeding arising out of or relating to the Notes (a "**Related Proceeding**"). The Kingdom has also irrevocably agreed that all claims in respect of any Related Proceeding may be heard and determined in the courts of England and Wales. The Kingdom has irrevocably waived the defence of an inconvenient forum to the maintenance of any Related Proceeding whether on grounds of venue, residence or domicile. See "*Terms and Conditions of the Notes—18. Jurisdiction*".

There may be insufficient assets of the Kingdom located outside of Morocco to satisfy in whole or part any judgment obtained from a court in England and Wales relating to amounts owing under the Notes. If investors were to seek enforcement of such a judgment in Morocco or to bring proceedings in relation to the Notes in Morocco, then certain limitations would apply.

The enforcement of foreign judgments in Morocco is governed by the relevant provisions of the Moroccan Code of Civil Procedure. Under those provisions, a judgment obtained in any English court would be recognised and enforced by the courts in Morocco without reconsideration of its merits provided that the foreign judgment satisfies the following additional conditions:

(i) the foreign judgment must have been issued by a court competent to do so under the law of the relevant country;

(ii) the foreign judgment must be final and enforceable in the country in which it was rendered, and the foreign judgment must not be based on documents subsequently deemed or found to be untrue and must not contain contradictory terms;

(iii) the defendant must have been properly served with legal process with respect to the proceeding in which the foreign judgment was rendered and due process must have been observed in connection with the proceeding, and no party to the litigation must have failed to deliver to the court material documents relating to the dispute and the defence rights of each party have been preserved;

(iv) the foreign judgment must not be contrary to Moroccan public policy;

(v) a final judgment in the same case between the same parties must not have been rendered by a Moroccan court; and

(vi) no action commenced prior to the relevant foreign proceeding may be pending with respect to the same subject matter and between the same parties before the Moroccan courts.

Prospective investors in Notes should be aware that, pursuant to Moroccan law, the Kingdom's properties and assets, including, *inter alia*, commercial assets of the Kingdom, located in the Kingdom are immune from execution, attachment or other legal or judicial process, and, in any Related Proceeding brought in Moroccan courts against the Kingdom or brought in those courts to enforce or seek recognition of a judgment obtained outside Morocco, the Kingdom's waiver of immunity referred to above would not be given effect. Investors should therefore be aware that the waiver of immunity is likely to be ineffective in respect of the attachment of assets and properties located in the Kingdom.

See "*Risk Factors—Risks Relating to the Kingdom—Jurisdiction and Sovereign Immunity*".

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, "**forward-looking statements**". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Kingdom's current intentions, plans, estimates, assumptions, programmes, beliefs or expectations.

These statements are not historical facts, but are based on the Kingdom's current plans, estimates, assumptions and projections. Future events may differ materially from those expressed or implied by such forward-looking statements. Therefore, prospective investors should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and the Kingdom undertakes no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks. The Kingdom cautions prospective investors that many factors could affect the future performance of the Moroccan economy.

A number of factors could cause future results to differ materially from those expressed in any forward-looking statements made herein, including:

- political and economic conditions in Morocco;
- the impact of changes in the international prices of commodities, in particular, commodities that benefit from subsidies, such as oil products and cereals;
- the budget deficit;

- the increasing level of public debt;
- net international reserves;
- the Eurozone crisis;
- the global financial crisis;
- the impact of events in the region, such as the events of the Arab Spring;
- the impact of the climate, in particular, rainfall, on agriculture;
- terrorism; and
- the impact of changes in the credit ratings of Morocco.

See "*Risk Factors*" for a discussion of these factors.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, all annual information, including budgetary information, is based on calendar years. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them. It should be noted that certain historic data set out herein may be subject to amendment as a result of more accurate and updated information becoming available. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies of the Kingdom, including the *Haut Commissariat au Plan* (the "**HCP**") and the *Ministère de l'Economie et des Finances* (the "**Ministry of Economy and Finance**"), as well as *Bank Al-Maghrib*, Morocco's central bank ("**Bank Al-Maghrib**") and the *Office des Changes*. Some statistical information has also been derived from information made publicly-available by the World Bank. Certain historical statistical information contained herein is based on estimates that the Kingdom or its agencies believe to be based on reasonable assumptions.

Statistics are maintained by these sources in Dirhams, U.S. Dollars or Euros, as applicable. Certain statistics recorded in currencies other than Dirhams have been converted into Dirhams at the exchange rates indicated in this Prospectus. Similar statistics may be obtained from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Although every effort has been made to include in this Prospectus the most reliable and the most consistently presented data, no assurance can be given that such data were compiled or prepared on a basis consistent with international standards. However, as far as the Government of the Kingdom of Morocco is aware and is able to ascertain from the information published by these entities, the information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

See "*Risk Factors—Risks Relating to the Kingdom—Statistics*".

Review and Adjustment of Statistics

The Kingdom's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. Certain of the information and data contained in this Prospectus for all or part of the fiscal year 2013 and interim periods in 2014 are preliminary and subject to further adjustment or revision. While the Government does not expect revisions to be material, no assurance can be given that material changes will not be made.

Data Dissemination

The Kingdom is a subscriber to the International Monetary Fund's ("**IMF**") Special Data Dissemination Standard (the "**SDDS**"), which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released, the so-called "Advance Release Calendar". For Morocco, precise dates or "no-later-than dates" for the release of data under the SDDS are disseminated no later than three months in advance through the Advance Release Calendar, which is published on the Internet under the IMF's Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the IMF's Dissemination Standard Bulletin Board.

The website is http://dsbb.imf.org/Applications/web/sddscountrycategorylist/?strcode=MAR. The website and any information on it are not part of this Prospectus.

Definitions

All references in this Prospectus to the "**Government**" and to the "**Parliament**" are to the central government of the Kingdom and to the Parliament of the Kingdom, respectively.

References in this Prospectus to "to "**Dirhams**" and "**Dh**" refer to the currency of Morocco; references to "**Euros**" and "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union; and references to "**U.S. Dollars**" and "**U.S.$**" are to the currency of the United States.

Gross Domestic Product ("**GDP**") is a measure of the total value of final products and services produced in a country. "**Nominal GDP**" measures the total value of final production in current prices. "**Real GDP**" measures the total value of final production in constant prices, thus allowing historical GDP comparisons that exclude the effect of inflation. For the purposes of this Prospectus, Real GDP figures are calculated by reference to previous year prices. Unless otherwise stated, references in this Prospectus to "GDP" are to Real GDP figures.

EXCHANGE RATE HISTORY

For ease of presentation, certain financial information included herein is presented as translated into Euros and U.S. Dollars. As at 30 May 2014, the closing exchange rates, expressed as an average of the selling and buying rate as quoted by Bank Al-Maghrib were €1 = Dh 11.21 and U.S.$1 = Dh 8.23.

The following tables set forth the exchange rate history for the periods indicated, expressed in Dirhams per Euro and Dirhams per U.S. Dollar, respectively, and not adjusted for inflation, as published by Bank Al-Maghrib.

Dirham to Euro Exchange Rate History

	Low	**High**	**Average**	**Period End**
		(Dirhams per €1.00)		
2014 (up to and including 30 April 2014)	11.190	11.280	11.225	11.243
2013	11.077	11.236	11.158	11.231
2012	10.964	11.182	11.091	11.148
2011	11.096	11.384	11.250	11.106
2010	10.934	11.339	11.151	11.171
2009	11.033	11.405	11.249	11.316
2008	11.026	11.509	11.353	11.246

Source: Bank Al-Maghrib.

Dirham to U.S. Dollar Exchange Rate History

	Low	**High**	**Average**	**Period End**
		(Dirhams per U.S.$1.00)		
2014 (up to and including 30 April 2014)	8.069	8.290	8.174	8.109
2013	8.122	8.677	8.399	8.151
2012	8.319	9.064	8.627	8.435
2011	7.626	8.611	8.085	8.577
2010	7.781	9.163	8.424	8.357
2009	7.556	8.824	8.089	7.860
2008	7.202	8.851	7.783	8.098

Source: Bank Al-Maghrib.

The rates in the above tables may differ from the actual rates used in the preparation of the information appearing in this Prospectus. The inclusion of these exchange rates is not meant to suggest that any amount of the currencies specified above has been, or could be, converted into the applicable currency at the rates indicated or at any other rate.

TABLE OF CONTENTS

RISK FACTORS

The purchase of Notes involves substantial risks and is suitable only for, and should be made only by, investors that are fully familiar with the Kingdom in general and that have such other knowledge and experience in financial and business matters as may enable them to evaluate the risks and the merits of an investment in the Notes. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors set forth below.

The Kingdom believes that the risk factors described below represent the principal risks in relation to the Kingdom and the Notes. Prospective investors should, however, note that there may be additional risks and uncertainties that the Kingdom currently considers immaterial or of which the Kingdom is currently unaware, and any of these risks and uncertainties could have similar effects as those set forth below or other adverse effects. Prospective purchasers of Notes should make such inquiries as they think appropriate regarding the Kingdom and the Notes without relying on the Kingdom or the Joint Lead Managers.

Risks Relating to the Kingdom

Political Risks

Concurrent with the events around the Arab World known as the "Arab Spring", predominantly peaceful demonstrations occurred in a number of Moroccan cities commencing on 20 February 2011, which led to the development of the 20 February Movement (the "**20 February Movement**"). In response to the calls for reform of the 20 February Movement, on 9 March 2011, King Mohamed VI announced a plan to reform the constitution and established an advisory committee to propose constitutional reforms. The new Constitution (the "**2011 Constitution**") was subsequently approved by a vote of the Moroccan people in a referendum on 1 July 2011. Since the approval of the 2011 Constitution, there have been further demonstrations, including in May 2012, calling for the implementation of economic and further constitutional reforms, as well as more recent demonstrations calling for measures to reduce unemployment. There can be no assurance that further demonstrations or political protests will not take place. Such events could directly or indirectly affect Morocco and its economy.

Under the 2011 Constitution, the legislative branch consists of a bicameral Parliament, the House of Representatives and the House of Counsellors. Legislative elections, which were brought forward from 2012 following the adoption of the 2011 Constitution, last took place in November 2011. These elections resulted in the *Parti de la Justice et du Développement* (the "**PJD**"), a moderate Islamist party, gaining the largest number of seats in Parliament and replacing the *Parti de l'Istiqlal* (the Party of Independence) as the largest parliamentary party. The *Parti de l'Istiqlal* and two other parties joined the PJD as part of a coalition Government, which was formed in early January 2012 following a confidence vote of Parliament in respect of the coalition Government's programme.

On 9 July 2013, six Ministers belonging to the *Parti de l'Istiqlal* resigned from the Government following the announcement of the party's National Council in May 2013 of the party's intention to leave the Government on the basis of disagreements with certain social and economic policies of the Government. The *Parti de l'Istiqlal* subsequently joined the opposition. On 10 October 2013, changes to the composition of the Government were announced, with Mr Benkirane remaining the Head of Government and the PJD retaining 12 portfolios. As part of the reshuffle, the *Rassemblement National des Indépendants*, the third-largest party in Parliament and formerly in opposition, joined the Government coalition and took up eight portfolios. The groups forming a majority in Parliament, which are represented in the reshuffled Government, have reconfirmed the main pillars of the Government's programme. The Head of Government is expected to submit the priorities of the Government for the remaining portion of its term to Parliament during its current session. There can be no assurance that the Government's programme or its current priorities within the scope of its programme, including any proposed political, economic and social reforms, will be implemented. Any failure of the Government to so implement its programme, in whole or in part, may lead to a deterioration of general economic and political conditions in the Kingdom.

The 2011 Constitution requires the passage of 18 organic laws to implement various constitutional reforms. A number of the organic laws will require further implementing regulations and rule making. Thus far, six organic laws have been adopted by Parliament and been signed into law, four others are under various stages of consideration and five are being prepared. Although the organic laws in effect prior to the adoption of the 2011 Constitution pertaining to 14 existing public institutions and bodies remain in place until replaced by new organic laws, there remains a degree of legal uncertainty in the Kingdom, and any failure to adopt the remaining organic laws implementing the reforms set out in the 2011 Constitution may lead to a deterioration of political conditions in the Kingdom.

Since 1975, Morocco has been involved in a territorial conflict involving the Western Sahara, a region in the south. Morocco has long asserted sovereignty over the territory and, ever since Spain's agreement in 1975 to withdraw from the Western Sahara and to cede the territory to Morocco, the Popular Front for the Liberation of Saguia el Hamra and Rio de Oro (the "**Polisario Front**") has, at times, waged a violent campaign of resistance against Morocco with the logistical and diplomatic support of the Algerian government. In 1991, the United Nations arranged a ceasefire between Morocco and the Polisario Front, with the intention of holding a referendum on self-determination under the supervision of the United Nations Mission for the Referendum in Western Sahara ("**MINURSO**"). The referendum has been postponed several times due to disputes over who is qualified to be registered to vote. Although the ceasefire remains in place, any renewal of violence in the region may require a greater military presence, and the costs associated with such a presence have in the past affected and may in the future affect in a materially adverse manner the Government's finances.

Economic Risk

Over the last decade, successive governments have embarked upon an adjustment programme designed to remedy past structural imbalances of the country's economic and fiscal situation and have generally adopted tight fiscal and monetary policies, liberalised foreign trade, deregulated sectors of the economy and privatised various state-owned enterprises. These policies, however, have at times been moderated by (i) a concern over their effect on socially-vulnerable groups, (ii) political developments, particularly strikes in the private and public sector and (iii) the need to respond to the global financial crisis, which commenced in 2007, and the ongoing crisis in the Eurozone. In response, the Government has adopted an economic reform programme, which includes reform of the subsidy system.

Overall, despite the implementation of a wide range of economic reforms to date, Morocco's economic performance has in the past been hampered by its large public sector, vulnerability of agricultural production to drought, reliance on exports of phosphates and phosphate derivatives and unemployment (which was 9.2% in 2013, although youth unemployment was 19.3%). In recent years, the Moroccan economy has experienced uneven growth, with Real GDP growth of 4.8% in 2009, 3.6% in 2010, 5.0% in 2011, 2.7% in 2012 and 4.4% in 2013. In addition, in 2011 and 2012, the Government increased its spending on fuel and food subsidies, although such spending has since declined following reforms enacted by the Government in 2013, and introduced a public sector wage increase. In the absence of adequate reform or further reform, as the case may be, the cost of such expenditures may continue to put pressure on the budget. There can be no assurance that these reforms will be successful or that the Government will not face social resistance to the implementation of these reforms. A failure to introduce or implement these reforms, in full or in part, could have a material adverse impact on the Kingdom, its economy and its budget deficit and, consequently, the public debt.

Morocco's current account deficit was 4.5% of GDP in 2010, 8.0% in 2011, 9.8% in 2012 and 7.6% in 2013. Since 2007, the current account deficit has been financed, at least in part, by increased borrowing. If the current account deficit is not reduced, further levels of borrowing will be needed to finance the deficit, which could negatively affect the Kingdom's economy.

The Moroccan economy remains vulnerable to external shocks, including events part of, or similar to, the Arab Spring, the global financial crisis and the Eurozone crisis, as well as to increased international commodity prices. A continued decline in the economic growth of, or receipt of remittances from, the Kingdom's major trading partners, such as France, Spain or the United States, as a result of such external shocks, could have a material adverse impact on the Kingdom's balance of trade and adversely affect the Kingdom's economic growth.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in the EU or the Middle East and Northern Africa region, including the Kingdom. In addition, there can be no assurance that these events will not adversely affect the Kingdom's economy and its ability to raise capital in the external debt markets in the future.

Subsidies

The Government subsidises the costs of a number of products, such as petrol, diesel, butane, sugar and wheat. The Government has begun to reform its subsidies policies in order to reduce the cost of the subsidies system while maintaining the purchasing power of Moroccans and improving the competitiveness of the Moroccan economy. As a result of these reforms, the Government spent Dh 41.6 billion on subsidies (equivalent to 4.8% of GDP) in 2013, which represented a decrease of Dh 13.3 billion, or 24.2%, as compared to 2012 levels (which were equivalent to 6.6% of GDP). Although the Government's reforms of its subsidies policies have resulted in savings and the Government is considering further such reforms, the cost to the Government of subsidies remains linked to international commodity prices, particularly crude oil and cereal prices. When crude oil and cereal prices rise, most of the resulting costs are borne by the Government. If the costs of subsidies rise, or the Government is not successful in further reforming the subsidy system, it could have a material adverse effect on the Kingdom's budget deficit and economy. In addition, there have been sporadic demonstrations calling for a return to the Government's previous subsidies policies. If such demonstrations continue, there can be no assurance that such or similar events will not adversely affect the politics of the Kingdom, the Government's finances or the Kingdom's economy.

Budget Deficit

Morocco's budget deficit was 2.2% of GDP in 2009, increasing to 4.7% of GDP in 2010, 6.7% of GDP in 2011 and 7.4% in 2012 before declining to 5.5% in 2013. Key contributors to the budget deficit in 2013 were spending on fuel and food subsidies and the effects of a public sector wage increase in 2011 in a context of flat revenues. If this trend continues, it will negatively affect the Kingdom's budgetary performance. Since 2007, the budget deficit has been financed by increased borrowing. If the budget deficit is not reduced, further levels of Government borrowing will be needed to finance the deficit, which could negatively affect the Kingdom's economy.

Public Debt

In recent years, the Government has incurred significant internal and external debt, principally for the purpose of financing the fiscal deficit. Total public debt as a percentage of GDP has increased from 43.2%, as at 31 December 2009, to 61.0%, as at 31 December 2013. In 2013, interest payments represented 8.6% of current expenditures, 9.1% of current revenues and 2.7% of estimated GDP. Although the Government intends to reduce Morocco's total public debt, as well as Morocco's total public debt as a percentage of GDP, there is no assurance that it will be able to do so. The failure to reduce Morocco's total public debt could materially impair Morocco's capacity to service its debt.

Net International Reserves

Net international reserves have been declining in recent years. Net international reserves represented 7.3 months of imports, as at 31 December 2009, 6.9 months as at 31 December 2010, 5.2 months as at 31 December 2011 and 4.1 months as at 31 December 2012, before rising to 4.3 months as at 31 December 2013. As at 16 May 2014, net international reserves represented 4.7 months of imports. If net international reserves significantly decline, this may impact Morocco's ability to service its external debt.

Food and Energy Security

Morocco is a net importer of energy and imports more than 95% of its energy requirements, in particular crude oil and oil products. In addition, Morocco does not produce 100% of its domestic consumption of food and, therefore, relies significantly on food imports, in particular cereals. The Kingdom's needs for food imports can increase further when it is experiencing drought or other adverse weather conditions, such as occurred during the 2011/12 growing season. Disruptions of imports or higher international commodity prices would have a material adverse effect on the Kingdom's economy and finances.

Regional and International Considerations

The Kingdom is located in a region that has been subject to on-going political and security concerns, especially in recent years. Political instability in the region has increased since the terrorist attacks of 11 September 2001, the U.S. intervention in Iraq, tensions over Iran's reported nuclear programme, the political events in Egypt and the conflict in Syria. Some Middle Eastern and North African countries have experienced in the recent past, or are currently experiencing, political, social, and economic instability, extremism, terrorism, armed conflicts and war, some of which have negatively affected the Kingdom in the past.

Since the "Arab Spring" began, a number of Arab countries have experienced significant political and military upheaval, conflict and revolutions leading to the departure of long-time rulers in Tunisia, Egypt, Yemen and Libya. Syria has recently been experiencing significant civil unrest and internal conflict. In July 2012, the Government expelled the Syrian ambassador to the Kingdom. The continuation of such events or the outbreak of new problems in the region could further strain political stability in the region and the Government's finances and negatively affect the Kingdom's economy.

Eurozone Crisis

The European Union is Morocco's largest trading partner and exports to the European Union accounted for 64% of the Kingdom's total exports in 2013. In addition, remittances from the Eurozone accounted for approximately 70% of the Kingdom's total remittances in 2013, and remittances from Moroccans resident abroad (referred to as "**MREs**") are dependent on, among other factors, the economic conditions in the relevant host countries. As a result, the Moroccan economy is affected by events in the Eurozone and the wider European Union.

In the second half of 2011, the situation in the international financial markets deteriorated and the credit ratings of several sovereigns within the Eurozone were downgraded. In addition, there has also been turmoil in the European banking sector, including in Cyprus. In general, such instability has caused doubts over the sustainability of the Eurozone. Further sovereign downgrades have occurred subsequently, which have resulted in higher rates for sovereign debt and has disrupted national economies within the Eurozone. A further decline in the economic growth in Eurozone countries, any inability of such countries to issue securities in the sovereign debt market or to service existing debt, an intensification of the Eurozone crisis or a protracted period of slow or negative economic growth in the Eurozone would reduce demand for Moroccan imports and lead to a reduced level or remittances and tourism revenues received from the Eurozone. This could, in turn, have a material adverse impact on the Kingdom's balance of trade and adversely affect the Kingdom's economic growth. Such events could also negatively impact the trading of the Notes.

Global Financial Crisis

The global financial crisis, which commenced in 2007, has affected global markets. Financial markets in the United States, Europe and Asia experienced, and in some cases continue to experience, a period of unprecedented turmoil and upheaval characterised by extreme volatility and declines in security prices, severely diminished liquidity and credit availability, inability to access capital markets, the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government and other governments. Global unemployment has risen, and business, economic activity and consumer confidence have declined resulting in a severe global recession. In addition to the global financial crisis, the need for many governments to finance large and growing budget deficits and other factors have negatively affected the financial standing and the credit ratings of sovereign and quasi-sovereign issuers, particularly in Europe. The Government cannot predict the continuing impact of the global financial crisis on the Kingdom's economy.

Emerging Markets

Investing in securities involving emerging market risk, such as Moroccan risk, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. These higher risks include, but are not limited to, higher volatility, limited liquidity, a narrow export base, current account deficits and changes in the political, economic, social, legal and regulatory environment. Morocco's budget deficits and other weaknesses characteristic of emerging market economies make it susceptible to future adverse effects similar to those suffered by other emerging market countries. In any event, there can be no assurance that the market for securities bearing Moroccan risk, such as the Notes, will not be affected negatively by events elsewhere, especially in emerging markets.

International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, Morocco could be adversely affected by negative economic or financial developments in other emerging market countries. Morocco has been adversely affected by "contagion" effects in the past, including recent volatility in the Middle East and North Africa, as well as the recent global financial crisis. No assurance can be given that it will not be affected by similar events in the future.

As a consequence, an investment in the Kingdom carries risks that are not typically associated with investing in more mature markets. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on the Kingdom, including elements of information provided in this Prospectus. See "***—****Statistics*". Prospective investors should also note that emerging economies, such as Morocco's, are subject to rapid change. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment decision.

The Kingdom's Variable Climate

Morocco has a variable climate and water shortage and drought are recurrent problems in many parts of Morocco. Low or unpredictable rainfall impacts on the Kingdom's primary sector activities, most notably in the agricultural sector and such yearly rainfall variations continue to have a major effect on GDP, prices and the balance of trade. Periods of drought have generally corresponded to declines in the rate of growth of GDP and periods of abundant rainfall have generally corresponded to increases in the rate of growth of GDP. Droughts and other adverse climatic events, particularly if sustained over a long period, have affected and may in the future affect in a materially adverse manner the Government's finances and rate of GDP growth.

Terrorism Risk

In recent years, Islamic militants have grown in number in a number of Middle East countries. Morocco has to date been less vulnerable to violent expressions of Islamic opposition, in part due to King Mohamed VI's and King Hassan II's (King Mohamed VI's father and predecessor) positions as religious leader and Head of State, as well as the greater tolerance of peaceful expression of opposition in Morocco than in many other Middle Eastern countries, although Morocco has experienced terrorist attacks in recent years, including, in April 2011, when a suspected suicide bomber attacked a tourist cafe in Marrakesh killing 17 people and injuring 20 others. The Government has increased security throughout Morocco in an effort to protect the population from terrorism and sabotage. Further incidents of terrorism could hamper several key sectors of the Moroccan economy, most notably tourism.

The Kingdom's Credit Ratings

Long-term foreign-currency debt of the Kingdom is currently rated BBB- with a stable outlook by S&P and BBB- with a stable outlook by Fitch. The Notes are expected to be rated BBB- by each of S&P and Fitch. On 11 October 2012, S&P affirmed Morocco's BBB- rating but revised its outlook to negative from stable, citing the Kingdom's budget and current account deficits, social pressures and the effect of external economic events on the Kingdom's economic performance. On 16 May 2014, S&P affirmed Morocco's BBB- rating and revised its outlook from negative to stable, citing the Kingdom's improving fiscal and external balances. On 25 April 2014, Fitch affirmed Morocco's BBB- rating and stable outlook.

Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes. S&P and Fitch's current ratings are investment grade. Ratings may not reflect the potential impact of all risks related to structure, market and other additional factors discussed above, and other factors that may affect the value of the Notes.

Jurisdiction and Sovereign Immunity

The Kingdom is a sovereign state. Consequently, it may be difficult for investors to obtain or rely upon judgments against the Kingdom in courts outside Morocco or in a jurisdiction to which the Kingdom has not explicitly submitted. In addition, a substantial portion of the assets of the Kingdom is located outside of England and Wales. As a result, it may not be possible for investors to enforce judgments obtained in courts located in England and Wales or elsewhere against the Kingdom. The Kingdom has irrevocably appointed the Ambassador of the Kingdom to the Court of St. James's as its authorised agent for the service of process in England and Wales.

There may be insufficient assets of the Kingdom located outside of Morocco to satisfy in whole or part any judgment obtained from a court in England and Wales relating to amounts owing under the Notes. If investors were to seek enforcement of such a judgment in Morocco or to bring proceedings in relation to the Notes in Morocco, then certain limitations would apply.

The enforcement of foreign judgments in Morocco is governed by the relevant provisions of the Moroccan Code of Civil Procedure. Under those provisions, a judgment obtained in any English court would be recognised and enforced by the courts in Morocco without reconsideration of its merits provided that the foreign judgment satisfies the following additional conditions:

(i) the foreign judgment must have been issued by a court competent to do so under the law of the relevant country;

(ii) the foreign judgment must be final and enforceable in the country in which it was rendered, and the foreign judgment must not be based on documents subsequently deemed or found to be untrue and must not contain contradictory terms;

(iii) the defendant must have been properly served with legal process with respect to the proceeding in which the foreign judgment was rendered and due process must have been observed in connection with the proceeding, and no party to the litigation must have failed to deliver to the court material documents relating to the dispute and the defence rights of each party have been preserved;

(iv) the foreign judgment must not be contrary to Moroccan public policy;

(v) a final judgment in the same case between the same parties must not have been rendered by a Moroccan court; and

(vi) no action commenced prior to the relevant foreign proceeding may be pending with respect to the same subject matter and between the same parties before the Moroccan courts.

Prospective investors in Notes should be aware that, pursuant to Moroccan law, the Kingdom's properties and assets, including, *inter alia*, commercial assets of the Kingdom, located in the Kingdom are immune from execution, attachment or other legal or judicial process, and, in any Related Proceeding brought in Moroccan courts against the Kingdom or brought in those courts to enforce or seek recognition of a judgment obtained outside Morocco, the Kingdom's waiver of immunity referred to above would not be given effect. Investors should therefore be aware that the waiver of immunity is likely to be ineffective in respect of the attachment of assets and properties located in the Kingdom.

Statistics

A range of ministries, the HCP, Bank Al-Maghrib, the *Office des Changes* and other Government agencies produce statistics of the Kingdom and its economy. The Kingdom subscribes to the IMF's SDDS. Statistical data appearing in this Prospectus has, unless otherwise stated, been obtained from public sources and documents. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, the Kingdom's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. Certain of the information and data contained in this Prospectus for all or part of the fiscal year 2013 and for interim periods in 2014 are preliminary and subject to further adjustment or revision.

Risks Relating to an Investment in the Notes

Suitability of the Notes as an Investment

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in such Notes and the information contained in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact that such Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Volatility of the Trading Market

The market for the Notes is influenced by economic and market conditions in the Kingdom and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, the member states of the EU and elsewhere. There can be no assurance that events in Morocco, the Middle East or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect. The Notes may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, defaults or the risk of potential defaults (particularly in Europe and the Gulf region), general economic conditions and the financial condition of the Kingdom.

Activity in the Trading Market

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained or that it will be liquid. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Kingdom. Although an application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Market and to be listed on the Official List, there is no assurance that such application will be accepted or that an active trading market will develop.

Security for the Notes

The Notes constitute unsecured obligations of the Kingdom.

Minimum Denomination

The Notes are issued in the denomination of €100,000 and integral multiples of €1,000 in excess thereof. Accordingly, the Notes may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds a principal amount of less than €100,000 in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least €100,000 in order to receive a definitive Note.

If definitive Notes are issued, Noteholders should be aware that definitive Notes, which have a denomination that is not an integral multiple of €100,000, may be illiquid and difficult to trade.

Modification and Waivers

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including material changes to the terms of the Notes and rescission of acceleration. These provisions permit defined majorities voting at a meeting or executing written consents to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), EU member states are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual (or certain other types of person) resident in that other Member State. However, for a transitional period, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date. The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment is made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to the EU Savings Directive, neither the Kingdom nor any Paying Agent nor any other person is obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Kingdom will be required to maintain a Paying Agent in a Member State that would not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Change of Law

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

No Limitation on Issuing Pari Passu Securities

Other than set out in the annual budget law, there is no restriction on the amount of securities that the Kingdom may issue and that rank *pari passu* with the Notes. The issue of any such securities may reduce the amount recoverable by Noteholders in a stress scenario, as the incurrence of additional debt could affect the Kingdom's ability to repay principal of, and make payments of interest on, the Notes.

Exchange Rate Risks and Exchange Controls

The Issuer will pay principal and interest on the Notes in Euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes. Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

Interest Rate Risks

Investment in the Notes, as they bear a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Legal Investment Considerations May Restrict Certain Investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

OVERVIEW

This section contains an overview of the detailed information included elsewhere in this Prospectus. This overview does not contain all of the information that may be material to prospective investors and, therefore, should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Prospectus, as well as related documents referred to herein. Prospective investors should also carefully consider the information set forth in "Risk Factors" prior to making an investment decision. Any decision to invest in the Notes should be based on the consideration of this Prospectus as a whole by prospective investors.

Overview of the Kingdom

The Kingdom of Morocco is situated in the north-west corner of the African continent and covers an area of approximately 710,850 square kilometres (274,461 square miles). It has a coastline of approximately 3,500 kilometres (2,174 miles) on the shores of the Atlantic Ocean and, east of the Straits of Gibraltar, on the Mediterranean Sea, facing southern Spain, which is less than 15 kilometres away across the Straits of Gibraltar. Morocco is bordered to the north by the Mediterranean Sea, to the east by Algeria, to the south by Mauritania and to the west by the Atlantic Ocean.

At the end of 2013, the total population of Morocco was estimated by the HCP at 33.0 million. The latest census figures in 2004 and 1994 placed the total population of Morocco at 29.8 million and 26.1 million, respectively. The population has grown at an average rate of 1.3% per year during the period 1994 to 2004. An increasing proportion of the population lives in the cities (the largest of which are Casablanca, Marrakesh, Fez and Rabat, the capital) growing from 55.1% in 2004 to an estimated 59.2% in 2013. An estimated three million MREs live overseas, predominantly in Europe, with the greatest concentration in France, Spain, Belgium, Italy, the Netherlands and Germany. The demographic structure shows a predominantly young population. As at the end of 2013, an estimated 26.2% of the population was under the age of 15.

The state religion of Morocco is Islam. Pursuant to the 2011 Constitution, the freedom of religion is respected. Almost the entire population is Sunni Muslim, and His Majesty King Mohammed VI, as Commander of the Faithful, is the supreme Muslim authority in the country. About 1% of the population consists of Christian and Jewish Moroccans.

Pursuant to Article 1 of the 2011 Constitution, Morocco is a constitutional, democratic, parliamentary and social monarchy. The King is the Head of State and names the Head of Government from the political party with the largest number of seats in the House of Representatives. The Kingdom's first Constitution was adopted in 1962 and was subsequently amended several times. Following demonstrations in Casablanca, Morocco's largest city, and Rabat, the capital, as well as other major cities in Morocco beginning on 20 February 2011 in the context of the events of the Arab Spring and an address on 9 March 2011 by King Mohammed VI to the nation in response to the calls for reform of the 20 February Movement, a commission was convened to draft a new constitution. The 2011 Constitution was approved by referendum on 1 July 2011.

The principal changes implemented by the 2011 Constitution include: (i) enhancing the separation of powers and strengthening the powers of the Parliament and the Head of Government; (ii) enhancing the rule of law; (iii) defining the constitutional roles of political parties and the Parliamentary opposition, which is granted official recognition; (iv) further regionalisation; and (vi) other measures to promote civil society, such as encouraging good governance and combating corruption. In addition, the 2011 Constitution strengthens civil rights in the Kingdom. It guarantees, *inter alia*: (i) parity (*i.e.,* equal rights for women); (ii) freedom of movement, of opinion, of expression and of worship; (iii) freedom of association and to belong to any union or political group; (iv) the right to strike; (v) the right of free enterprise and to own property; and (vi) rights for freedom of thought, ideas, artistic expression and creation. It also prohibits discrimination based on gender, race, belief, culture, social or religious origin, language or disability.

The 2011 Constitution provides that the official language of the Kingdom is Arabic, and, since the implementation of the 2011 Constitution, Amazigh, a Berber language, is also an official language. A number of other Berber dialects, including Tachelhit and Tarifit, are spoken in many rural areas. French, English and Spanish are also spoken, French being widely spoken and the language in which business is often conducted.

On 9 July 2013, six Ministers belonging to the *Parti de l'Istiqlal* resigned from the Government. On 10 October 2013, changes to the composition of the Government were announced, with Mr Benkirane remaining the Head of Government. As part of the reshuffle, the *Rassemblement National des Indépendants*, the third-largest party in Parliament and formerly in opposition, joined the Government coalition. The groups forming a majority in Parliament, which are represented in the reshuffled Government, have reconfirmed the main pillars of the Government's programme. The Head of Government is expected to submit the priorities of the Government for the remaining portion of its term to Parliament during its current session.

The size of the Moroccan economy, measured in terms of GDP, was Dh 872.8 billion in 2013. Morocco's economic growth depends to various degrees on several key sectors. In 2013, trade, transport, communication and other services represented 41.4% of GDP at current prices; energy, mining, manufacturing, construction and public works 26.1%; agriculture, forestry and fishing 15.2%; public administration, education and social policy 8.9%; and net taxes 8.4%. Although the agricultural sector plays an important role in the Moroccan economy and is volatile due to the impact of a variable climate on agricultural output, the secondary and tertiary sectors' share of GDP have been steadily increasing over the last five years, lessening the Moroccan economy's dependence on agriculture.

The following table sets forth the principal economic indicators for Morocco as at the end of or for the periods indicated.

Principal Economic Indicators(1)

	2009	2010	2011	2012	2013(2)
GDP at current prices (*Dh billions*)(3)	732.5	764.0	802.6	827.5	872.8
Real GDP Growth (*%*)(4)	4.8	3.6	5.0	2.7	4.4
GDP *per capita* at current prices (*Dh*)	23,221	23,955	24,891	25,386	26,488
Unemployment rate					
Total (%)	9.1	9.1	8.9	9.0	9.2
Urban (%)	13.8	13.7	13.4	13.4	14.0
CPI Increase (*%*)(5)	1.0	0.9	0.9	1.3	1.9
Government budget balance					
in Dh billions	(15.9)	(35.8)	(48.3)	(57.6)	(48.1)
as % of GDP(6)	(2.2)	(4.7)	(6.7)	(7.4)	(5.5)
Current Account Balance					
in Dh billions	(39.9)	(35.0)	(64.6)	(80.7)	(66.2)
as % of GDP	(5.4)	(4.6)	(8.0)	(9.8)	(7.6)
Net International Reserves (*U.S.$ billions*)(7)	23.3	23.3	20.3	17.2	18.4
Net International Reserves (*months of imports*)(8)(9)	7.3	6.9	5.2	4.1	4.3
Total Public Debt(10)					
in Dh billions	316.6	354.8	403.5	466.9	532.3
as % of GDP	43.2	46.4	50.3	56.4	61.0
Total Central Government Debt					
in Dh billions(11)	345.2	384.6	430.9	493.7	554.3
as % of GDP	47.1	50.3	53.7	59.7	63.5
Total External Debt (*as % of GDP*)(10)	20.8	22.7	23.6	25.7	26.9
Debt Service (*as % of current account revenues*)	5.1	4.7	4.8	5.4	5.8
Exchange Rate (*Dh per €*)(9)	11.316	11.171	11.106	11.148	11.246
Exchange Rate (*Dh per U.S.$*)(9)	7.860	8.357	8.577	8.434	8.151

Notes:

(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.
(3) At prices current during each respective year.
(4) Calculated by reference to previous year prices.
(5) Period average to period average.
(6) Excluding privatisation receipts.
(7) As at 16 May 2014, net international reserves were U.S.$20.1 billion.
(8) Imports of goods and non-factor services. Net international reserves represented 4.7 months of imports of goods and non-factor services as at 16 May 2014.
(9) Calculated at the end of period.
(10) Public debt is comprised of the Consolidated General Government debt (comprised of the domestic and external debt of the Central Government, debt of certain administrative public establishments and debt of local authorities) and external debt of state-owned enterprises. It excludes Government debt held by social security funds. See "*Public Debt*".

Sources: HCP, Bank Al-Maghrib and Ministry of Economy and Finance.

Overview of the Offering

*The following is an overview of the terms and conditions of the Notes. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as in the terms and conditions of the Notes (the "**Conditions**"). See "Terms and Conditions of the Notes" and "Provisions Relating to the Notes in Global Form" for a more detailed description of the Notes.*

Issuer..	The Kingdom of Morocco.
The Notes..	€1,000,000,000 3.5% Notes due 2024.
Issue Price...	98.337% of the principal amount.
Issue Date..	19 June 2014.
Maturity...	Unless previously redeemed or purchased and cancelled, the Notes will be repaid at their principal amount on 19 June 2024, subject as provided in Condition 6. See "*Terms and Conditions of the Notes—5. Redemption. Purchase and Cancellation*" and "*Terms and Conditions of the Notes—6. Payments*".
Interest..	The Notes will bear interest from and including the Issue Date at the rate of 3.5% *per annum*, payable annually in arrear on 19 June in each year, subject as provided in Condition 6. The first Interest Payment Date will be 19 June 2015. See "*Terms and Conditions of the Notes—4. Interest*".
Indication of Yield	3.702% *per annum*. This yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
Status	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Kingdom and will at all times rank *pari passu* and without any preference among themselves. The full faith and credit of the Kingdom is pledged for the due and punctual payment of the principal of, and interest on, the Notes and the performance of all of the Kingdom's other obligations under the Notes. The Notes will at all times rank at least equally and rateably with all the other present and future unsecured and unsubordinated obligations of the Kingdom, save only for any obligation which may be preferred by provisions of applicable law that are both mandatory and of general application. See "*Terms and Conditions of the Notes—2. Status*".
Use of Proceeds	The net proceeds of the issue of the Notes will be used to finance the budget deficit. See "*Use of Proceeds*".
Negative Pledge...	The Conditions contain a negative pledge provision. See "*Terms and Conditions of the Notes—3. Negative Pledge*".

Taxation	All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. In that event, the Kingdom shall pay such additional amounts as will result in the receipt by the holders of the Notes (the "**Noteholders**") of such amounts as would have been received by them if no such withholding or deduction had been required, subject to certain exceptions set forth under "*Terms and Conditions of the Notes—7. Taxation*" and "*Taxation*".
Events of Default	The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default. See "*Terms and Conditions of the Notes—8. Events of Default*".
Form and Settlement	The Notes will be initially represented by beneficial interests in a Global Note in registered form without interest coupons, which will be registered on or around the Closing Date in the name of BNP Paribas Securities Services, Luxembourg Branch, acting as common depositary on behalf of Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. Notes in definitive form will be issued only in very limited circumstances. See "*Provisions Relating to the Notes in Global Form*".
Denominations	The Notes will be offered and sold in registered form and in denominations of €100,000 and any amount in excess thereof that is an integral multiple of €1,000. See "*Terms and Conditions of the Notes—1. Form, Denomination, Title, Registration and Transfer*".
Joint Lead Managers	BNP Paribas, Commerzbank and Natixis.
Fiscal Agent, Principal Paying and Transfer Agent and Registrar	BNP Paribas Securities Services, Luxembourg Branch.
Governing Law	The Notes, including any non-contractual obligations arising out of the Notes, will be governed by, and shall be construed in accordance with, English law.
Risk Factors	There are certain risks relating to the Notes, which investors should ensure they fully understand. These include the fact that the Notes may not be suitable investments for all investors, and risks relating to the Kingdom and to the market. See "*Risk Factors*".
Submission to Jurisdiction	The Kingdom has submitted to the non-exclusive jurisdiction of the courts of England and Wales to settle disputes in connection with the Notes. See "*Service of Process and Enforcement of Civil Liabilities*" and "*Risk Factors—Risks Relating to the Kingdom—Jurisdiction and Sovereign Immunity*".

Selling Restrictions	There are restrictions in the United States, the United Kingdom and certain other jurisdictions in connection with the offering and sale of the Notes. See "*Subscription and Sale*".
Listing and Admission to Trading..........	Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Market and to be listed on the Official List.
Security Codes..	Common Code: 107923381 ISIN: XS1079233810
Ratings..	Long-term foreign-currency debt of the Kingdom is currently rated BBB- with a stable outlook by S&P and BBB- with a stable outlook by Fitch. The Notes are expected to be assigned the same ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation. Each of S&P and Fitch is established in the EU and is registered under the CRA Regulation. As such, each of S&P and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation as at the date of this Prospectus. Any change in the rating of the Notes could adversely affect the price that a purchaser will be willing to pay for the Notes. See "*Risk Factors—Risks Relating to the Kingdom—The Kingdom's Credit Ratings*".

USE OF PROCEEDS

The proceeds of the issue of the Notes are expected to amount to €983,370,000. The net proceeds that the Kingdom will receive from the offering, after paying the estimated commissions and expenses incurred in connection with the offering and admission listing, will be approximately €982,220,000.

The net proceeds of the issue of the Notes will be used to finance the budget deficit.

DESCRIPTION OF THE KINGDOM OF MOROCCO

Overview of the Kingdom

The Kingdom of Morocco is situated in the north-west corner of the African continent and covers an area of approximately 710,850 square kilometres (274,461 square miles). It has a coastline of approximately 3,500 kilometres (2,120 miles) on the shores of the Atlantic Ocean and, east of the Straits of Gibraltar, on the Mediterranean Sea, facing southern Spain, which is less than 15 kilometres away across the Straits of Gibraltar. Morocco is bordered to the north by the Mediterranean Sea, to the east by Algeria, to the south by Mauritania and to the west by the Atlantic Ocean.

At the end of 2013, the total population of Morocco was estimated by the HCP at 33.0 million. The latest census figures in 2004 and 1994 placed the total population of Morocco at 29.8 million and 26.1 million, respectively. The population grew at an average rate of 1.3% per year during the period 1994-2004. An increasing proportion of the population lives in the cities (the largest of which are Casablanca, Marrakesh, Fez and Rabat, the capital) growing from 55.1% in 2004 to an estimated 59.2% in 2013. An estimated three million MREs live overseas, predominantly in Europe, with the greatest concentration in France, Spain, Belgium, Italy, the Netherlands and Germany. The demographic structure shows a predominantly young population. As at the end of 2013, an estimated 26.2% of the population was under the age of 15.

The state religion of Morocco is Islam. Pursuant to the 2011 Constitution, the freedom of religion is respected. Almost the entire population is Sunni Muslim, and His Majesty King Mohammed VI, as Commander of the Faithful, is the supreme Muslim authority in the country. About 1% of the population consists of Christian and Jewish Moroccans.

Pursuant to Article 1 of the 2011 Constitution, Morocco is a constitutional, democratic, parliamentary and social monarchy. The King is the Head of State and selects the Head of Government from the party with the largest number of seats in Parliament.

The Kingdom's first Constitution was adopted in 1962 and was subsequently amended several times. Following demonstrations in Casablanca, Morocco's largest city, and Rabat, the capital, as well as other major cities in Morocco beginning on 20 February 2011 in the context of the events of the Arab Spring and an address on 9 March 2011 by King Mohammed VI to the nation in response to the calls for reform of the 20 February Movement, a commission was convened to draft a new constitution. The 2011 Constitution was approved by referendum on 1 July 2011.

The principal changes implemented by the 2011 Constitution include: (i) enhancing the separation of powers and strengthening the powers of the Parliament and the Head of Government; (ii) setting out principles of liberty, democracy and civil rights, including with respect to women's rights; (iii) enhancing the rule of law; (iv) defining the constitutional roles of political parties, the Parliamentary opposition and other participants in society; (v) further regionalisation; and (vi) other measures to promote civil society, such as encouraging good governance and combating corruption.

The 2011 Constitution provides that the official language of the Kingdom is Arabic, and, since the implementation of the 2011 Constitution, Amazigh, a Berber language, is also an official language. A number of other Berber dialects, including Tachelhit and Tarifit, are spoken in many rural areas. French, English and Spanish are also spoken, French being widely spoken and the language in which business is often conducted.

The size of the Moroccan economy, measured in terms of GDP, was Dh 872.8 billion in 2013. Morocco's economic growth depends to various degrees on several key sectors. In 2013, trade, transport, communication and other services represented 41.4% of GDP at current prices; energy, mining, manufacturing, construction and public works 26.1%; agriculture, forestry and fishing 15.2%; public administration, education and social policy 8.9%; and net taxes 8.4%. Although the agricultural sector plays an important role in the Moroccan economy and is volatile due to the impact of a variable climate on agricultural output, the secondary and tertiary sectors' share of GDP have been steadily increasing over the last five years, lessening the Moroccan economy's dependence on agriculture.

Geography

Morocco consists principally of fertile plains bordering the Atlantic Ocean, bordered to the north by the Rif Mountains and to the east and south by a series of other mountain ranges (the Middle Atlas, the High Atlas and the Anti-Atlas) beyond which lies the Sahara Desert. The plains represent some 20% of Morocco's land area but contain approximately 80% of the population and major natural resources, namely agriculture (citrus fruits, cereals, sugar beet and cane and vegetables) and mineral extraction (particularly phosphates).

Morocco has many rivers, which, although relatively unimportant for navigation, are used for irrigation and for generating electric power. The mountainous regions of Morocco have extensive areas of forest including large stands of oak, juniper, pine, fir and evergreen oak.

The climate of Morocco varies from the temperate coastal zones along the Atlantic Ocean and the Mediterranean Sea, with moderate temperatures year round, to excessive heat and cold in the mountains, which range up to 4,165 metres in the High Atlas, stretching from Agadir on the Atlantic Coast to east of Marrakesh, to 3,326 metres in the Middle Atlas and Anti-Atlas located north and south, respectively, of the High Atlas, and to 2,465 metres in the Rif Mountains parallel to the Mediterranean coast.

History

Morocco's geographic situation has given it a strategic, economic and political importance, which has influenced its long and rich history. As early as the twelfth century B.C., the Phoenicians had established trading centres in the north and along the Atlantic coast. The conquest of Carthage by Rome in the second century B.C. resulted in Roman dominance of the Mediterranean coast of Africa, and the northern part of current-day Morocco was incorporated into the Roman Empire in 42 A.D. as a Roman province. Following the collapse of the Roman Empire in the fifth century, the region was divided into numerous Berber confederations. Beginning in the seventh century and following the Arab conquest, Morocco became Islamised. The Moroccan empire reached its peak under the Almohad King Ya'qoub al-Mansour at the end of the twelfth century and embraced modern-day Algeria, Tunisia, Libya and large parts of the Iberian peninsula. The *Reconquista* of Spain by Christian forces and the defeat suffered by the Almohads at the hands of the Spanish in 1212 led to a decline in the empire.

Morocco experienced a renaissance under the Saadians, known as the first Sharifian dynasty (1554-1660), and flourished during the reign of Ahmed I al-Mansour (1579-1603), as the country benefited from the influx of nearly one million Moors and Jews who were expelled by the Christians from Spain after 1492.

In the middle of the seventeenth century, members of the current reigning Alaouite family from southern Morocco, who are direct descendants of the Prophet Mohammed, began ruling Morocco.

Subjected to gradual European colonialist pressures in the nineteenth century, Morocco was placed under a protectorate in 1912 under which Spain administered much of the north along the Mediterranean Sea (Rif) and the extreme south (the enclave of Ifni and Rio do Oro) and France administered the rest of the country. However, nationalism remained strong in the country and following World War II, Morocco moved towards a return to full independence. Beginning with the end of the French protectorate on 2 March 1956 Morocco was progressively reconstituted as an independent nation. Spain returned the Rif to Morocco in April 1956, gave up part of its southern Moroccan territories in 1965 and ceded Ifni in 1969. The remainder of southern Morocco, Sakiaa Hamra and Oued Ed-Dahab (also called Saguia el Hamra and Rio de Oro under the Spanish and more commonly known as the Western Sahara) reverted to Morocco in 1975 and 1979.

Before the protectorate imposed in 1912 by foreign powers, the population of the Western Sahara had for centuries, through its local leaders, formally pledged its allegiance to the Sultans of Morocco. Beginning in 1975, when Spain agreed to withdraw from the Western Sahara and to cede its remaining interests in that region to Morocco, a local group known as the Polisario Front contested the reversion of the region into Morocco. Morocco committed itself in 1991 to holding a referendum on self-determination in the Western Sahara under the auspices of the United Nations. The same year, the United Nations established MINURSO. However, operational difficulties were encountered by the United Nations in trying to implement the referendum on self-determination for the region. There have been four Personal Envoys appointed by the Secretary General of the United Nations to address the issue, the latest being Christopher Ross. Since 1991, a cease-fire has been in effect, and no military activity has taken place in the Western Sahara.

In April 2007, following extensive consultations with representatives of the Moroccan population, including that of the Western Sahara and a number of foreign countries, the Kingdom submitted a proposal to the United Nations for negotiating an autonomy status for the region, which calls for an autonomous region to be established in the Sahara with powers over local administration, police, economic development, the region's budgets, and social and cultural affairs, with the Kingdom retaining jurisdiction over the attributes of sovereignty and the constitutional and religious prerogatives of the King, as well as national security, defence and external relations. The Polisario Front advised the United Nations that its goal remains the conduct of a referendum, which would include the option of independence for Western Sahara.

On 20 February 2011 and subsequently, a number of largely peaceful demonstrations occurred in a number of Moroccan cities, including Rabat, Casablanca, Tangier and Marrakesh concurrent with the events that have formed the "Arab Spring". Members of the 20 February Movement called for changes to the Kingdom's constitution and the Government, as well as for an end to corruption.

In response to the 20 February Movement, King Mohamed VI addressed the nation on 9 March 2011 and convened a commission, chaired by Abdellatif Mennouni, a former member of the Constitutional Council, to develop proposals for constitutional reform in co-operation with various stakeholders, including, *inter alia*, political parties, trade unions, associations and youth non-government organisations. The commission published a draft constitution in June 2011.

The 2011 Constitution was subsequently approved by a referendum of the Moroccan people on 1 July 2011. According to Government statistics, 98.5% of voters voted in favour of the 2011 Constitution, and the turnout for the referendum was approximately 73%. King Mohammad VI announced shortly thereafter that he would accept the constitutional shift of powers to the Head of Government and work to establish a constitutional monarchy with an elected parliament. See "*—Constitution and Political System*".

While the official political parties backed the reforms, certain opposition groups, including some members of the 20 February Movement, rejected the reforms as not being extensive enough politically or socially, and there were further demonstrations, including violent clashes in Casablanca, prior to and following the referendum. In addition, since the approval of the 2011 Constitution, there have been further demonstrations, in particular, in May 2012, calling for the swift implementation of the proposed economic reforms, as well as further reforms.

In response to the draft constitution, the EU Foreign Policy Chief and EU Enlargement Commissioner expressed the readiness of the EU to support Morocco's efforts to implement the 2011 Constitution. The U.S. Secretary of State, Hillary Clinton, also acknowledged the encouraging nature of the 2011 Constitution.

On 29 April 2014, UN Security Council Resolution 2152 unanimously extended MINURSO's mandate until 30 April 2015 and called on the parties to cooperate fully with MINURSO, including its free interaction with all interlocutors, and to take the necessary steps to ensure the security of, as well as unhindered movement and immediate access for, United Nations personnel. In the preamble of the aforementioned resolution, the Security Council took note of the Moroccan proposal of 11 April 2007 to the Secretary-General and welcomed the "serious and credible Moroccan efforts to move the process forward towards resolution". The Security Council also welcomed "the opening of National Council on Human Rights Commissions operating in Dakhla and Laayoune and Morocco's ongoing interaction with Special Procedures of the United Nations Human Rights Council, including those planned for 2014."

Social and Demographic Development

The following table sets forth selected comparative statistical data for the periods and countries indicated.

Comparative Statistics[(1)]

	Morocco	Egypt	India	Indonesia	Philippines	South Africa	Tunisia	United Kingdom
Gross national income *per capita* (*U.S.$*)[(2)]	2,960	2,980	1,550	3,420	2,500	7,460	4,150	38,850
Average annual growth of GDP 2013 (*%*)	4.2	2.2	4.7	6.2	6.8	2.5	3.6	0.3
Life expectancy: Male (*years*)	69[(3)]	69	65	69	65	54	73	80
Life expectancy: Female (*years*)	73[(4)]	73	68	73	72	58	77	84
Adult literacy rate (*%*) ages 15 and older	67	74	63	92	95	93	79	—
Under 5 mortality (*per 1,000 live births*)	31	21	56	31	30	45	16	5
National poverty rate (*%*)	8.8	25.2	21.9	11.4	25.2	23.0	16	—

Notes:

(1) The figures in this table are extracted from the World Bank's World Development Indicators and are the most recent available, but are not all necessarily from the same year. Figures may not necessarily be comparable due to differences in methodologies and, with respect to figures regarding the Kingdom, may differ from the figures published by the Kingdom.

(2) Figures are calculated based on the World Bank atlas method. The atlas method represents the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output, plus net receipts of primary income (compensation of employees and property income) from abroad.

(3) The HCP estimated life expectancy (male) in 2011 at 72 years.

(4) The HCP estimated life expectancy (female) in 2011 at 74 years.

Sources: The World Bank, World Development Indicators.

Constitution and Political System

On 30 July 1999, King Mohammed VI succeeded his father, King Hassan II, who died on 23 July 1999. King Hassan II had ruled without interruption from 1961 until his death. As commander of the faithful and protector of the rights and liberties of citizens, social groups and organisations, as provided by Articles 41 and 42 of the 2011 Constitution, the King is responsible for ensuring that Islam, the free exercise of religion and the Constitution are respected.

Administration in Morocco is decentralised. The Kingdom has 16 "*régions administratives*", which are further divided into 71 provinces and prefectures. Pursuant to the 2011 Constitution, *walis* of the regions and governors of the provinces are nominated by the Head of Government and the government Minister concerned and approved by the Council of Ministers. Over 1,500 local (urban and rural) communities are managed by directly-elected counsellors, which provides for a further element of decentralisation.

Constitutional Reform

Pursuant to Article 1 of the 2011 Constitution, Morocco is a constitutional, democratic, parliamentary and social monarchy. The King is the Head of State and selects the Head of Government from the party with the largest number of seats in Parliament. The Kingdom's first Constitution was adopted in 1962 and was subsequently amended several times. Following an address by King Mohammed VI to the nation on 9 March 2011, a commission was convened to draft the 2011 Constitution. The 2011 Constitution was approved by a referendum on 1 July 2011.

The principal changes implemented by the 2011 Constitution include: (i) enhancing the separation of powers and strengthening the powers of the Parliament and the Head of Government; (ii) enhancing the rule of law; (iii) defining the constitutional roles of political parties and the Parliamentary opposition, which is granted official recognition; (iv) further regionalisation; and (vi) other measures to promote civil society, such as encouraging good governance and combating corruption. In addition, the 2011 Constitution strengthens civil rights in the Kingdom. See "*—Reform and Civil Rights*".

The 2011 Constitution requires the promulgation of 18 organic laws by the end of the current Parliament in 2016. Thus far, six organic laws (relating to the House of Representatives, political parties, the House of Counsellors, local government and nominations to high government positions and the Economic, Social and Environmental Council (although this law is currently being amended following a decision of the Constitutional Court) have been adopted by Parliament and been signed into law. Four other bills (relating to organic laws in respect of a new finance law, parliamentary enquiries, the Constitutional Court and Government works) are under various stages of consideration. The remainder, relating to matters including Moroccan culture, judicial authority, the status of judges, local Government, the legislative process, the right to strike, gender, parity, anti-discrimination, families, Berber languages and children and young people, are being drafted.

Role of the King

Under the 2011 Constitution, the King is the Head of State, the Commander of the Faithful and the symbol of the unity of the nation. The King is also the supreme commander of the Royal Armed Forces. The crown and its constitutional rights are hereditary and transmitted to the direct male heirs of King Mohammed VI. Pursuant to Article 47 of the 2011 Constitution, the King names the Head of Government from the political party with the most seats in the House of Representatives. Upon proposition by the Head of Government, the King names the members of the Government.

The King presides over the Council of Ministers, which is composed of the Head of Government and the Ministers. The Council of Ministers is responsible for, *inter alia*, future revisions of the Constitution, preparing organic laws, the general orientation of the annual budget laws, declaring war or a state of emergency, and nominating, upon the proposition of the Head of Government and at the initiative of the relevant Minister, various senior officials, including, *inter alia*, the Governor of Bank Al-Maghrib, ambassadors, *walis* and governors, the head of national security and the heads of various public enterprises.

Role of Parliament

Pursuant to Article 70 of the 2011 Constitution, Parliament exercises the legislative power in the Kingdom and votes on laws, controls the activities of the Government and evaluates public policy. Parliament and its committees have oversight authority over the Government and each Minister.

Parliament is composed of two chambers, the House of Representatives and the House of Counsellors. Under Article 60 of the 2011 Constitution, the opposition is an essential component of both chambers and is given certain rights, including to direct Parliamentary debate from time-to-time and to chair a legislative commission. Members of the

House of Representatives are elected by direct, universal suffrage for a five-year term. Members of the House of Counsellors are elected for a six-year term, with three-fifths of the members being representatives of the regions, in proportion to the population, and elected by regional councils. The remaining members of the House of Counsellors are elected by electoral colleges composed of elected representatives of professional organisations, employees and other associations.

The House of Representatives is comprised of 395 members and the House of Counsellors may comprise a minimum of 90 members and a maximum of 120 members. The Parliament has the power to pass legislation, which may be initiated by the members of the House of Representatives or the House of Counsellors and the Head of Government.

Article 71 of the 2011 Constitution vests power over 30 specified matters to Parliament, including, *inter alia*: (i) civil liberties; (ii) family and civil law; (iii) nationality; (iv) media and the press; (v) criminal law and prisons; (vi) amnesty; (vii) fiscal, customs, tax and related matters; (viii) environmental matters; (ix) privatisation; and (x) property rights.

Role of the Government

The Government exercises executive power in the Kingdom. Upon designation by the King, pursuant to Article 88 of the 2011 Constitution, the Head of Government must present the Government's programme with respect to its economic, social, environmental, cultural and international relations policies to Parliament. The Government's programme is subject to debate in both houses of Parliament, which is followed by a vote of the House of Representatives. The Government is vested following a majority vote of confidence of the House of Representatives.

The Head of Government exercises administrative and rule-making authority, appoints the most important civil servants and presides over the Council of Government. The Head of Government may delegate many of his powers to other members of the Government. The Council of Government has responsibility for, *inter alia*: (i) public policy; (ii) sectoral policies; (iii) treaties and international conventions (ahead of submission to the Council of Ministers); (iv) matters relating to human rights and public order; (v) drafting laws (other than as set forth above) prior to their transmission to Parliament; and (vi) issuing decrees. Following a decision of the Council of Government, the Head of Government informs the King.

Role of the Judiciary and the Constitutional Court

The judicial power is independent of the executive and legislative powers, and the King guarantees its independence. Article 113 of the 2011 Constitution established a Superior Council of the Judiciary. See "*—Legal System*"

In 1994, a Constitutional Council was established to ensure that laws conform to the Constitution and to confirm election and referenda results. Pursuant to Title VIII of the 2011 Constitution, the Constitutional Council was replaced by a Constitutional Court, which is composed of 12 members who serve a single, nine-year, non-renewable term. Six members are designated by the King (of which one member is proposed by religious leaders) and three members are elected by each house of Parliament. The President of the Constitutional Court is named by the King from among the 12 members. The Constitutional Court has the power to rule on constitutional matters.

Organic laws must be submitted to the Constitutional Court, which will review the constitutionality of such laws prior to their promulgation. The Constitutional Court will also review the constitutionality of other laws prior to their promulgation if so requested by the King, the Head of Government, the President of either house of Parliament or by a fifth of the members of either house of Parliament. Pursuant to Article 134 of the 2011 Constitution, laws declared unconstitutional may not be promulgated or otherwise put in place. The Constitutional Court also has authority over elections and referenda.

Reform and Civil Rights

The 2011 Constitution strengthened civil rights in the Kingdom. It guarantees, *inter alia*: (i) parity (*i.e.*, equal rights for women); (ii) freedom of movement, opinion, expression and worship; (iii) freedom of association and to belong to any union or political group; (iv) the right to strike; (v) the right of free enterprise and to own property; and (vi) freedom of thought, ideas, artistic expression and creation. It prohibits discrimination based on gender, race, belief, culture, social or religious origin, language or disability.

The 2011 Constitution also provides for the supremacy of international agreements and treaties in the Kingdom's hierarchy of laws. The 2011 Constitution also establishes various independent institutions, such as those established for the protection and promotion of human rights, good governance and anti-corruption, including the independent National Council for Human Rights, the Council for Competition and the National Instance of Probity, Prevention and the Struggle Against Corruption, a number of which are not yet operational.

Legal System

The legal system in Morocco consists of an independent judiciary comprising a secular judicial system based principally upon French legal tradition and legal procedure for commercial, civil and criminal matters and an Islamic judicial system with respect to individual, family and inheritance matters involving Muslims. Article 107 of the 2011 Constitution provides that the King guarantees the independence of the judiciary. The courts of first instance, the courts of appeal and a supreme court (the *Cour de Cassation*), have jurisdiction over all matters, including commercial, civil and criminal matters, other than constitutional matters. See "*—Constitution and Political System—Role of the Judiciary and the Constitutional Court*".

Under the 2011 Constitution, judges are appointed by the *Conseil Supérieur du Pouvoir Judiciaire* (Supreme Council of the Judiciary). The Supreme Council of the Judiciary is presided over by the King and includes the first-president of *Cour de Cassation*, the Attorney General of the King to the *Cour de Cassation*, the President of the first chamber of the *Cour de Cassation*, four elected representatives from the judges of the courts of appeal, six elected representatives from the judges of the courts of first instance, a mediator, the President of the National Council of Human Rights and five persons nominated by the King, recognised for their competence, impartiality, integrity, and their contribution to the independence of justice and rule of law, one of which is proposed by the Secretary General of the Superior Council of Oulemas. The representation of female judges is guaranteed amongst the ten elected members from the courts of appeal and courts of first instance according to the proportion of their presence in the judiciary.

A system of administrative tribunals was established in the early 1990s. A system of separate commercial courts having jurisdiction over trade disputes was introduced in January 1997, and eight first instance commercial courts and three commercial appeal courts have been in operation since May 1998.

Government and Political Parties

Following legislative elections in November 1997, the then-opposition parties obtained strong support and secured the largest number of seats. The opposition party USFP emerged as the leading party, gaining close to 14% of the votes. A new Government was then formed, known as *Gouvernement d'Alternance*, a coalition made up of leaders from seven political parties and headed by Mr Abderrahmane Youssouffi, leader of the USFP, as Prime Minister. This was the first time since independence that a leader of the opposition was appointed as Prime Minister.

The September 2002 Parliamentary elections resulted in victory for the then-ruling coalition, with the USFP gaining the largest number of seats, closely followed by the *Parti de l'Istiqlal*. The PJD, a moderate Islamist party, achieved significant gains and was the then-principal opposition group in Parliament.

In February 2006, a new law governing political parties was enacted forbidding the establishment of political parties on religious, ethnic, regional or linguistic bases, requiring parties to adopt political programmes and introducing regulations on financing and management of such parties. Prior to the September 2007 elections, the number of constituencies was increased from 91 to 95. The 2007 legislative elections resulted in victory for a coalition led by the *Parti de l'Istiqlal*, which replaced the USFP as the largest parliamentary party.

As a result of the implementation of the 2011 Constitution, parliamentary elections, which were due to take place in September 2012, were brought forward and held in November 2011.

The following table sets forth the representation of each of the principal political groups in the House of Representatives.

Representation of Political Parties in the House of Representatives[1]

Party	Seats
Parti de la Justice et du Développement[2]	105
Parti de l'Istiqlal	61
Rassemblement National des Indépendants[2]	54
Parti Authenticité et Modernité	47
Union Socialiste des Forces populaires	42
Mouvement Populaire[2]	33
Union Constitutionnelle	23
Parti du Progrès et du Socialisme[2]	21
Other Parties	9

Notes:

(1) The table above reflects the current composition of the House of Representatives as a result of the November 2011 elections and subsequent elections for 11 seats held in February 2013 following a decision of the Constitutional Court invalidating the results for such seats from the November 2011 elections, as well as re-elections for two seats held in April 2014.

(2) Indicates member of the governing coalition.

The November 2011 elections resulted in the PJD, a moderate Islamist party, gaining the largest number of seats in Parliament and replacing *Parti de l'Istiqlal* as the largest parliamentary party.

The King nominated Mr Abdelilah Benkirane, the Secretary General of the PJD, as Head of Government in accordance with Article 47 of the 2011 Constitution (requiring the King to name a Head of Government from the political party winning the most seats in the elections from the House of Representatives). A new Government was formed in January 2012, and 12 Ministers, including the Head of Government, were drawn from the PJD. The other members of the Government coalition, the *Parti de l'Istiqlal*, the *Mouvement Populaire* and the *Parti de Progrès et du Socialisme* held six, four and four portfolios, respectively. Ministers holding six portfolios were not members of a political party. Members of the House of Counsellors are divided into 14 political parties and groupings.

Mr Benkirane replaced Prime Minister Abbas El Fassi, who had served as Prime Minister since the September 2007 elections. Mr Benkirane has been elected as a Member of Parliament four times and was elected the Secretary General of the PJD in 2008, succeeding Mr Saâdeddine El Othmani.

On 9 July 2013, six Ministers belonging to the *Parti de l'Istiqlal* resigned from the Government following the announcement of the party's National Council in May 2013 of the party's intention to leave the Government on the basis of disagreements with certain social and economic policies of the Government. The *Parti de l'Istiqlal* subsequently joined the opposition.

On 10 October 2013, changes to the composition of the Government were announced, with Mr Benkirane remaining the Head of Government and the PJD retaining 12 portfolios. As part of the reshuffle, the *Rassemblement National des Indépendants*, the third-largest party in Parliament and formerly in opposition, joined the Government coalition and took up eight portfolios, including the Ministry of Economy and Finance and the Ministry of Foreign Affairs. The *Mouvement Populaire* and the *Parti du Progrès et du Socialisme* each also remain in the Government coalition, with six and five ministerial portfolios, respectively. Ministers holding eight portfolios are not members of a political party. The reshuffled Government includes six women ministers and nine new ministerial posts, bringing the number of Ministers to 39.

Pursuant to Article 88 of the 2011 Constitution, a new vote of confidence is not required following the October 2013 Government reshuffle as the Head of Government has not changed. The groups forming a majority in Parliament, which are represented in the reshuffled Government, have reconfirmed the main pillars of the Government's programme. The Head of Government is expected to submit the priorities of the Government for the remaining portion of its term to Parliament during its current session. See "*Risk Factors—Risks Relating to the Kingdom—Political Risks*."

Elections

Elections in the Kingdom are regulated by an electoral law, which was amended following the implementation of the 2011 Constitution to reflect the political and institutional reforms in the new constitution. Monitoring of elections is regulated by Law № 30.11, published in the *Official Bulletin* on 6 October 2011, which sets out conditions for the independent and neutral observation of elections. Under this law, a special accreditation commission was established to receive, examine and approve requests for accreditation of independent observers.

The commission accredited 4,000 observers, representing 16 domestic and international organisations, including a delegation from the Parliamentary Assembly of the Council of Europe, to monitor the November 2011 parliamentary elections. These observers and the political parties that participated confirmed that there were no significant irregularities with respect to the November 2011 parliamentary elections.

The next parliamentary elections are expected in 2016.

Press and Media

Morocco has a varied press with over 600 publications in Arabic, French, Amazigh, English and Spanish. The main national publications consist of four Arabic-language and two French-language dailies. A number of newspapers are affiliated with political parties.

The Government has begun the process of liberalising the Kingdom's television and radio services, which have previously been controlled by the Government. Following the enactment of the *loi sur la Communication Audiovisuelle* and the setting up of the *Haute Autorité de la Communication Audiovisuelle*, a regulatory authority, established to, among other things, promote and defend freedom of expression and pluralism, the state no longer holds the monopoly in this sector. In 2005, the *Société Nationale de Radiodiffusion et de Télévision* (the "**SNRT**") was established as a joint-stock company whose share capital is owned by the state. SNRT owns five principal radio stations, as well as several regional stations, and eight television channels.

International Relations

Morocco is a member of most international institutions including the United Nations (and its affiliated organisations), the Arab League, the Organisation of the Islamic Conference, the Community of Sahelo-Saharan States, the International Monetary Fund, the World Bank (and its affiliates, including the International Finance Corporation and the Multilateral Investment Guarantee Agency), the World Trade Organisation, the African Development Bank, the Islamic Development Bank, the European Bank for Reconstruction and Development (the "**EBRD**") and the Arab Monetary Fund. See "*Public Debt—International Institutions*".

In 2012-2013, Morocco served as a member of the U.N. Security Council, its third term as a member.

European Union

In February 1996, Morocco signed an Association Agreement with the European Union aiming, among other things, to liberalise trade between Morocco and the European Union. This agreement deals with reforms and modernisation of the Moroccan economy and the promotion of private trade and investment, as well as with security, social development, environmental protection and cultural affairs. In particular, it provides for the phasing out over a period of twelve years of all tariff barriers between Morocco and EU member states. The Association Agreement entered into force on 1 March 2000, following ratification by Morocco and all EU member states.

The Kingdom supports the European Union's Neighbourhood Policy (the "**ENP**"). Since 1 January 2007, the ENP has set out the framework for cooperation between Morocco and the European Union and defines the strategic axes of cooperation for the period 2007-2013. These strategic axes include the development of social policies, modernisation of the Moroccan economy, institutional support, good governance and human rights and environment protection. During the period 2007-2013, €1.2 billion has been allocated for Morocco by the European Union.

In October 2008, Morocco signed an "Advanced Status" agreement with the European Union, which sets out the framework for a deeper strategic and economic orientation towards the European Union, opens participation to Morocco in several European agencies and reinforces Morocco's position within the ENP. In July 2013, Morocco and the European Union signed a four-year agreement permitting European fleets to fish in Morocco's coastal waters, pursuant to which Morocco will receive €40 million. In December 2013, Morocco and the European Union adopted a new action plan for 2013-2017 within the framework of the "Advanced Status" agreement. During 2013, the European Union and its member states contributed €917 million to the Kingdom under various programmes (including those described above), €230 million of which came from France and €442 million of which came from Germany.

In March 2013, negotiations for a deep and comprehensive free trade area were launched between Morocco and the European Union.

In parallel with its relations with the European Union, Morocco also maintains strong relations and cooperates in matters political, economic and financial with EU member states, in particular with the larger member states that also host a significant number of MREs, such as France, Spain, Germany, Belgium, Portugal and Italy.

Spain controls two enclaves, Sebta and Melilia (also known as, Ceuta and Melilla), which are located on the Mediterranean Sea. The Kingdom does not recognise Spain's sovereignty over these enclaves but is committed to a peaceful resolution of this dispute in light of the large and growing economic ties between Spain and the European Union and the Kingdom. Spain is the Kingdom's second largest trading partner after France.

The Kingdom is pursuing a number of initiatives to address the issues of illegal migration from its territory to the European Union, as well as transmigration, which represents the significant majority of illegal immigrants entering the European Union from Morocco.

United States of America

The Kingdom and the United States have historically enjoyed strong relations, and the United States is the Kingdom's third most important trading partner, after France and Spain. The Kingdom was the first nation to recognise the independence of the United States in 1777, and the United States established its first embassy abroad in Tangier.

On 1 January 2006, a free trade agreement between Morocco and the United States entered into force, having been signed in 2004. Tariffs on more than 95% of qualifying consumer and industrial goods were immediately eliminated. Tariffs for most remaining qualifying goods will be eliminated over a nine-year period. For a limited number of products, tariffs will be eliminated over a period of up to 15 years. The free trade agreement also offers new access to services, intellectual property protection, open government procurement and protections for labour and environment. In December 2012, the Moroccan and U.S. governments announced agreements a common set of international investment principles, as well as services, information technology and communications principles.

Maghreb Nations

The nations of the Maghreb, Morocco, Algeria, Libya, Tunisia and Mauritania, have attempted to set up an economic union. The *Union du Maghreb Arabe* (the "**Arab Maghreb Union**" or "**AMU**") was formally established in 1989 but has not, as yet, produced the full effect anticipated due to a number of issues that have arisen and which have led at times to various differences between member states. Morocco continues to support the AMU as a framework for a future Maghreb Common Market. The AMU treaty also provides for the establishment of a regional development bank aiming to finance project investment and foreign trade.

Agadir Declaration

In May 2001, the Ministers of Foreign Affairs of Morocco, Tunisia, Egypt and Jordan meeting in Agadir, Morocco signed a joint declaration known as the "Agadir Declaration" in which they stated their objective of creating a common free trade zone amongst South-Mediterranean countries having entered into association agreements with the European Union. In February 2004, the "Agadir Agreement" established a free trade zone amongst Morocco, Tunisia, Egypt and Jordan. The Agadir Agreement entered into force in July 2006, following ratification by the four countries party to the agreement. Implementation of the Agadir Agreement began in March 2007.

GCC

In December 2011, certain members of the Gulf Cooperation Council (the "**GCC**"), which is comprised of Bahrain Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, pledged U.S.$5 billion to fund economic and social development projects in both Morocco and Jordan in response to the events of the Arab Spring and with the aim of establishing strategic partnerships between the GCC and each of Morocco and Jordan. In May 2012, the GCC increased the pledged amount to U.S.$5 billion for each of Morocco and Jordan, and each of Kuwait, Qatar, Saudi Arabia and the United Arab Emirates has agreed to provide funding up to U.S.$250 million per year for five years. A number of bilateral agreements have been signed with respect to the pledged funding, amounting to U.S.$980 million, and a number of further agreements are under discussion.

The United Arab Emirates announced on 25 September 2013 its intention to provide Morocco with U.S.$100 million in financial support, aimed at supporting economic and social development, as well as clean energy use.

Free Trade

Morocco is a member of the Greater Arab Free Trade Area ("**GAFTA**") established on 1 January 1998, which has reached full trade liberalisation of goods though the implementation of full exemptions for customs duties and charges having equivalent effect among signatory countries. The Arab League has launched negotiations on services and investment liberalisation, as well as an initiative to upgrade GAFTA into a Customs Union, by 2015.

The Kingdom entered into a free trade agreement with Turkey on 4 April 2004 and is in negotiations with respect to a free trade agreement with Canada and the European Union. The Kingdom has conducted three rounds of negotiations with Canada and four rounds of negotiations with the European Union.

Morocco has also entered into bilateral free trade agreements with several Arab countries, including Tunisia, Jordan, Egypt and the Arab United Emirates.

See "*External Sector—Trade Policy*".

Others

On 9 March 2009, the Kingdom severed diplomatic ties with Iran, citing remarks that Iran made in respect of the situation in Bahrain at the time.

Israel opened a liaison office in Rabat in 1994 and Morocco was the third Arab country (after Egypt and Jordan) to establish a representative office in Israel. However, as a consequence of the deterioration of the situation in the Middle East since September 2000 and following a resolution by the Arab League, Morocco withdrew its representative in Israel and Israel recalled its representative in Morocco. It is the stated policy of Morocco that Israel has a right to exist alongside a Palestinian state that is politically and economically viable.

In December 2013, the Kingdom and the Japan International Cooperation Agency entered into a loan agreement in an amount of up to U.S.$100 million to finance a basic education sector support project in Morocco.

Internal Security

Morocco has experienced occasional instances of terrorism, as a result of which, a number of measures to combat terrorism have been taken, including, *inter alia*, the passage of a law in 2003 that made terrorism and the financing of terrorist activities criminal offences and expanded the powers of the judicial police to combat terrorism.

There were two suicide bombings on 14 April 2007 in Casablanca outside an American Language Center and the U.S. Consulate General. One passer-by was slightly injured. These followed suicide bombings in Casablanca on 10 April 2007 and 11 March 2007 in which four suicide bombers and one policeman were killed. Security has been increased and a number of arrests have been made. On 28 April 2011, a suspected suicide bomber attacked a tourist cafe in Marrakesh killing 17 people and injuring at least 20 others. In May 2012, Moroccan authorities arrested fifteen individuals, who the authorities charged with a number of terrorist offenses. The arrests were accompanied by the seizure of a number of firearms.

Morocco is committed to opposing terrorist activities, without compromising or reducing its commitment to democratic processes and the rule of law.

THE MOROCCAN ECONOMY

The Global Financial Crisis and the Eurozone Crisis

The global financial crisis, which commenced in 2007, affected the Moroccan economy, in particular the non-agricultural sectors, resulting in decreases in the demand for Moroccan exports abroad, remittances from MREs, foreign direct investment and other capital flows into the Kingdom. The continuing Eurozone crisis has also impacted on the Moroccan economy. Remittances from the Eurozone account for approximately 70% of the total remittances on an annual basis, and remittances from MREs are dependent on, among other factors, the economic condition in the host country. See "*External Sector—Remittances*". Similarly, exports to the European Union accounted for 64% of the Kingdom's total exports in 2013. Exports to the European Union declined in 2008 and 2009, before returning to growth in 2010, 2011 and 2012. See "*External Sector—Foreign Trade*".

In light of the limited exposure of Morocco's financial system to the international markets and the positive impact of the range of macro-economic and structural reforms that were previously introduced, the Kingdom has been well-positioned to absorb and respond to the global financial crisis and the Eurozone crisis. Among other measures, in February 2009, the Government established a public-private steering committee (and several sub-committees) to develop policies to deal with the crisis. Among the principal measures taken by the Government following the recommendation of the committee:

- *Employment:* the Government agreed to cover the social security contributions of certain employers affected by the global financial crisis for a period of six months, renewable, in return for such employers agreeing not to reduce their respective workforces by more than 5%;

- *Financial:* the Government guaranteed certain loans and declared a moratorium on certain payments owed to the Government;

- *Commercial:* the Government provided certain export guarantees and established an action plan, Cap 2009, to promote tourism in Marrakesh, Fez, Casablanca and Agadir; and

- *Industrial:* the Government supported Moroccan textile and leather industries in their migration from providers of raw materials to producers of finished products, as well as automobile parts suppliers and certain other manufacturing industries.

In August 2012, the IMF and the Government agreed an SDR 4.12 billion (approximately U.S.$6.2 billion) Precautionary and Liquidity Line (the "**PLL**") to be provided by the IMF. The PLL is intended to ensure that the Kingdom has the necessary resources in the event of a further economic shock, including fluctuations in oil prices and the potential impact of the economic downturn in Europe and the Eurozone crisis, as well as to reinforce confidence in the Moroccan economy. The PLL has a duration of 24 months, and it remains unused. In February 2013, the Executive Board of the IMF completed the first review of Morocco's performance under the PLL and reaffirmed Morocco's continued qualification to access PLL resources. The second review was completed in July 2013, as a result of which Morocco's continued qualification to access PLL resources was again affirmed and IMF staff noted that the "program is broadly on track". The third review was completed in January 2014. See "*Public Debt—International Institutions—IMF*".

The Government has taken a number of measures to encourage the flow of remittances from MREs into the Kingdom, including reducing certain charges and commissions, following a 5.4% decline in remittances in 2009. In 2011, the remittance flow from MREs was Dh 58.4 billion, an increase of 7.4% over 2010. Despite the continuing crisis in the Eurozone, remittances remained relatively stable reaching Dh 58.8 billion in 2012, an increase of 0.6%, as compared to the flow in 2011. Remittance levels have subsequently slightly decreased and were Dh 57.9 billion (a decrease of 1.5%) in 2013. See "*External Sector—Remittances*".

The Government Programme

Upon taking office in January 2012, the Government announced its programme for the next five years, which is based on five pillars: (i) strengthening national identity while encouraging diversity within Moroccan society; (ii) improving the rule of law and governance, advancing regionalisation and guaranteeing civil rights; (iii) fostering an environment that supports a strong, competitive economy and job creation; (iv) strengthening national sovereignty; and (v) establishing solidarity between social groups, generations and regions in Morocco and guaranteeing equal access to basic social services.

The Government's programme contains the following economic targets (among others):

- increasing the economic growth rate in the medium term by 1% to reach an average growth rate of 5.5% during the period 2012-2016;
- maintaining inflation at 2%;
- reducing unemployment to a rate of 8% by 2016; and
- reducing the fiscal deficit to 3% of GDP by 2016.

In order to achieve these aims, the Government intends to implement the following reforms: (i) improving the business climate and competitiveness by strengthening governance, the rule of law and the independence of the judiciary; (ii) enhancing transparency and accountability and fighting corruption; (iii) further improving the infrastructure in Morocco, including through public-private partnerships; (iv) improving access to social services, such as education and healthcare; (v) developing active labour market policies; (vi) promoting small- and medium-sized businesses; (vii) encouraging informal economy participants to shift to the formal economy through the implementation of incentives; (vii) using sectoral policies to target high value-added and job-creating sectors, such as the aerospace sector; (viii) reforming tax laws to broaden the tax base and lower tax rates; (ix) introducing subsidy reforms; (x) reviewing the public sector compensation system to link it to productivity and reviewing the state pension system to ensure long-term sustainability and reduced risk to the budget; and (xi) improving governance and monitoring of the performance of public companies.

Following the October 2013 reshuffle, the groups forming a majority in Parliament, which are represented in the reshuffled Government, have reconfirmed the main pillars of the Government's programme. The Head of Government is expected to submit the priorities of the Government for the remaining portion of its term to Parliament during its current session. See "*Description of the Kingdom of Morocco—Government and Political Parties*" and "*Risk Factors—Risks Relating to the Kingdom—Political Risks*."

Role of the Government in the Economy; Privatisation and Economic Reform

Following a long period during which the Government had played a significant role in the Moroccan economy, since 1993, the Government has been reconsidering and redefining its role and that of the private sector in Morocco. The Government has been actively disengaging from activities of an industrial and commercial nature best suited to the private sector and concentrating its actions on public and social services while continuing to play a role in the overall direction and regulation of other sectors.

To expand the role of the private sector in the economy, the Government has embarked on a multi-year programme to privatise certain Government enterprises. In 1989, legislation was passed providing for the privatisation of 112 companies, including 37 hotels. This legislation was subsequently amended in 1995, 1997 and 2002 to expand the privatisation programme. The privatisation law provided for three privatisation methods, public offers on the Casablanca Stock Exchange (the "**CSE**"), international or domestic tenders and private placements.

A number of significant enterprises continue to be state-owned and could be privatised, including the Government's stake in Maroc Telecom and others. The Government is also undertaking restructuring programmes with respect to other state-owned enterprises, including, *inter alia,* the National Office of Electricity and Potable Water ("**ONEE**") and the state agricultural development agency, ADA.

The goals of the privatisation programme are to: (i) increase the role of the private sector in the economy; (ii) reduce the budgetary subsidies to the public sector; (iii) encourage increased competition and thereby raise the standards and efficiency of Moroccan industry; (iv) increase tax revenues; and (v) increase levels of funding from the capital markets and promote wider share ownership. In addition, the Government is aiming, through the granting of concessions, to involve the private sector in financing and operating public utilities.

The Government has sold interests in 48 companies and 26 hotel establishments in 108 privatisation transactions since 1993.

The following table sets forth the privatisation receipts for the periods indicated.

Privatisation Receipts[(1)(2)(3)]

Year	Receipts
	(Dh millions)
1993-2008	87,666
2009	0
2010	35
2011	5,647
2012	3,292
2013	0
2014 (up to 31 May)	2,046
Total	**98,686**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Privatisation receipts received from privatisations made in accordance with Law № 39-89, including receipts from the sale of interests in *Banque Centrale Populaire*.
(3) The 2014 Budget does not provide for privatisations in 2014. See "*Public Finance*".

Source: Ministry of Economy and Finance.

In order to ensure an appropriate use for the proceeds of privatisation, in 2000, the Government set up the Hassan II Fund into which up to 50% of privatisation proceeds may be transferred. To date, the Hassan II Fund has received Dh 36.2 billion. The main objective of the Hassan II Fund is to allocate privatisation proceeds to investment activities rather than to the payment of current expenses. Since 2011, the remaining 50% of privatisation proceeds is allocated to the National Investment Support Fund.

The most significant recent privatisations have been the following:

- BCP *(Banque Centrale Populaire)*. In September 2012, the Government sold 10% of the shares of BCP to *Banque Populaires Régionales* ("**BPR**") for Dh 3.3 billion. In May 2011, the Government sold 20% of the capital of BCP for Dh 5.3 billion. In April 2014, the Government sold a further 6% of the capital of BCP to BPR for Dh 2.0 billion. The Kingdom's current stake in BCP's share capital is one share.

- *SSM (La Société des Sels de Mohammedia).* In July 2011, the Government sold 100% of the shares of SSM to Moroccan holding *company*, Delta Holding, for Dh 655 million.

Privatisations in, among others, the mining sector, terrestrial transport sector, chemical industry, banking and finance sector, textile industry, agriculture sector, fertiliser sector, oil distribution and refining sectors, hotel and services sector and others, have also taken place.

Although proceeds of the privatisation programme have historically contributed significantly to the Government's revenues, the Kingdom is no longer dependent on such revenues to finance the Government's budget deficit. See "*Public Finance*". The Government did not privatise any state-owned enterprises in 2008, 2009 and 2013, and is not expecting to conduct any further privatisations in 2014 (having completed the further privatisation of BCP in April 2014), due to prevailing economic conditions.

The Government is, however, continuing to prepare the remaining state-owned enterprises for eventual privatisation, including by having preliminary accounting and corporate governance work undertaken, so that when economic conditions change, the Government could continue its privatisation programme. The Ministry of Economy and Finance is also conducting a strategic review to develop a new strategy with respect to state-owned enterprises and reform the privatisation law.

Private Sector Concessions

A law was passed in February 2006 to regulate concessions to private sector entities. In addition to what is described below, the Government is studying further opportunities for public-private partnerships. Morocco's policy to promote greater private sector participation in the economy has included the granting of concessions to bring the private sector into the financing and operation of four principal sectors:

Electricity

In the context of the Government's policy of liberalisation of the electricity sector, the ONEE awarded in 1997 a 30-year concession to a foreign consortium (Swedish-Swiss Asea Brown Boveri and CMS Energy Corp. of the United States) to take over the operation of two existing coal-fired power plants located at Jorf Lasfar, south of Casablanca and to build and operate two additional plants. All four power plants are operational. In August 2000, the 50MW Koudia El Beida wind farm project in Tétouan was completed and commissioned. Other concessionary projects such as the Tahadart natural gas combined cycle power plant (which has been operational since March 2005 and has a production capacity of 385 MW) and the Tangier and Tarfaya wind power stations in North and South Morocco respectively are expected to enhance Morocco's electricity production capacity by 720MW. The increase in electricity production combined with increased productivity allowed a reduction in electricity tariffs, which has principally benefited the industrial sector. See "*—Principal Sectors of the Economy—Energy*".

Telecommunications

In August 1999, a second GSM licence was awarded to Meditelecom, a Moroccan company 30.5% owned by Telefònica, the Spanish telecom operator, 30.5% owned by Portugal Telecom, the Portuguese telephone operator, with the remaining share capital being held by Moroccan institutions including the Finance.com group (20%) and other shareholders. The sale of the licence generated approximately U.S.$1.08 billion. In September 2009, Telefònica and Portugal Telecom sold their stakes in Meditelecom to Finance.com and *Caisse de Dépôt et de Gestion* ("**CDG**"). In February 2009, a third GSM license was awarded to Wana Corporate. In December 2013, the Telecommunications Regulatory National Agency announced that it plans to issue a tender for 4G operations in 2014.

In 2008, the Government introduced its *Plan Maroc Numéric* for the period 2009-2013. The principal aims of *Plan Maroc Numéric* are: (i) the development of information technology companies; (ii) the further development of "e-government"; (iii) the availability of high speed internet nationwide; and (iv) the encouragement of the computerisation of small- and medium-sized businesses in order to increase their productivity.

Transport

In February 2009, a consortium including Veolia Transport was selected to operate public bus transport in the Rabat-Salé region for a fifteen-year period. Transdev manages the Rabat-Salé Tramway, which opened in May 2011. See "*—Infrastructure—Rail Network*".

Water Sector and Waste Management

In 1997, the French operator *Suez-Lyonnaise des Eaux* (currently operating as Suez) was awarded a 30-year concession for managing water, electricity and sewerage services in Casablanca pursuant to which it undertook to invest Dh 30 billion over the life of the concession to extend water services to an additional 40,000 households per year. In addition, a 30-year concession was awarded to Spain's Urbaser, a subsidiary of the Dragados Group and Portugal's EDP-Pleiade-Al Borade for the management of water services in Rabat. Concessions have also been awarded to France's Vivendi Universal group for the water, electricity and sewerage services of Tangier and Tétouan. Other concessions for the provision of waste distribution services are in the process of being awarded for other cities including Fez, Meknes and Marrakesh.

Gross Domestic Product

Morocco's GDP has tended to show fluctuating trends, largely due to erratic primary sector activity, most notably in the agricultural sector. Although overall GDP fluctuations have decreased in recent years, as a result, in part, of increased domestic demand and the emergence of new industries, yearly rainfall variations have continued to have a major effect on GDP, prices and the balance of trade.

Morocco's GDP grew 4.4% in 2013, as compared to 2.7% in 2012. This increase in the rate of growth was primarily a result of an increase in the agricultural sector, which grew by 21.1% in 2013 (as compared to 2012), due to more favourable climate conditions prevailing in the Kingdom in 2013. The secondary sector grew by 0.3% and the tertiary sector grew by 2.7%. The overall non-agricultural sector grew by 2.3% in 2013, as compared to 4.4% in 2012.

The following table sets forth certain information with respect to total and per capita GDP for the periods indicated.

Gross Domestic Product[1]

	2009	2010	2011	2012	2013[2]
Total GDP					
At current prices (*Dh billions*)	732.4	764.0	802.6	827.5	872.8
Nominal change (*%*)	6.3	4.3	5.0	3.1	5.5
Real change *(%)*	4.8	3.6	5.0	2.7	4.4
Per capita GDP					
At current prices (*Dh*)	23,221	23,955	24,891	25,386	26,488
Nominal change (*%*)	5.2	3.2	3.9	2.0	4.3
Real change (%)	3.6	2.5	3.8	1.6	3.3

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data

Sources: HCP and Ministry of Economy and Finance.

The following table sets forth the details in respect of the goods and services account for the periods indicated.

Goods and Services Account[1][2]

	2009	2010	2011	2012	2013[3]
			(Dh billions)		
Gross Domestic Product	**732.5**	**764.0**	**802.6**	**827.5**	**872.8**
Goods and non-factor services imports	290.7	329.1	390.8	416.3	409.0
less: Goods and non-factor services export	210.2	253.9	285.5	297.2	293.7
Resources deficit	**80.5**	**75.1**	**105.2**	**119.1**	**115.3**
Total available resources	**812.9**	**839.1**	**907.8**	**946.6**	**988.1**
General government	133.4	133.9	146.3	159.1	165.6
Resident households	418.5	437.5	472.9	495.7	524.4
Final National Consumption	**551.9**	**571.5**	**619.2**	**654.8**	**690.0**
Fixed capital formation	226.2	234.4	246.4	258.9	263.3
Changes in stock	34.9	33.3	42.2	33.0	34.9
Investment	**261.1**	**267.7**	**288.6**	**291.9**	**298.2**
Total expenditure	**812.9**	**839.1**	**907.8**	**946.6**	**988.1**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Figures in this table have been subject to rounding and may not be an arithmatic aggregation of the figures that precede them.
(3) Preliminary data.

Sources: HCP and Ministry of Economy and Finance.

Principal Sectors of the Economy

The following table sets forth Morocco's gross domestic product by sector (at current prices) for the years indicated.

Gross Domestic Product by Sector (at current prices)[1]

	2009	2010	2011	2012	2013[2]
			(Dh millions)		
Primary Sector	**107,050**	**105,534**	**114,866**	**110,575**	**132,465**
Agriculture, forests and related services	100,757	98,991	106,342	102,572	124,124
Fisheries	6,293	6,543	8,524	8,003	8,341
Secondary Sector	**186,742**	**204,075**	**224,556**	**232,872**	**228,079**
Mining	16,925	29,579	41,355	40,343	30,808
Industry	104,004	105,250	114,338	120,694	123,231
Refining	1,084	2,799	1,960	1,692	165
Electricity and water	18,953	19,362	18,962	20,044	21,042
Construction and public works	45,776	47,085	47,941	50,099	52,833
Tertiary Sector[3]	**359,365**	**378,113**	**402,997**	**424,283**	**438,861**
Commerce	72,054	72,815	76,977	79,824	81,648
Hotels and restaurants	16,775	19,446	18,852	19,745	21,838
Transportation	25,795	27,480	28,424	29,158	31,123
Post and telecommunications	22,097	23,065	22,473	21,329	18,481
Other services[4]	162,769	172,707	186,660	199,397	207,834
Public administration and social security	59,875	62,600	69,611	74,830	77,937
Taxes	**79,292**	**76,309**	**60,188**	**59,767**	**73,386**
Total	**732,449**	**764,030**	**802,607**	**827,497**	**872,791**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.
(3) Including non-market services provided by the general government
(4) Financial and insurance activities, services to businesses and personal services, education, health and social action, and fictitious branch.

Source: HCP.

The following table sets forth the annual change in GDP by sector in real terms for the years indicated.

Annual Growth in Gross Domestic Product by Sector[1]

	2009	2010	2011	2012	2013[2]
			(%)		
Gross Domestic Product (at constant prices)	**4.8**	**3.6**	**5.0**	**2.7**	**4.4**
Primary Sector	28.9	(2.3)	5.1	(7.2)	18.7
Secondary Sector	(4.7)	6.4	4.0	1.4	0.3
Tertiary Sector	3.6	3.3	6.0	5.8	2.7
Non-agricultural Sector	1.2	4.5	4.9	4.4	2.3

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.

Sources: HCP and Ministry of Economy and Finance.

See "—*Gross Domestic Product*".

Agriculture and Forestry

In 2013, agriculture, forestry and related services contributed 14.2% to GDP (Dh 124.1 billion). The Kingdom is a net importer of food, importing Dh 35.7 billion in 2013, as compared to exports of Dh 33.5 billion. In particular, wheat imports amounted to Dh 8.2 billion in 2013 (as compared to Dh 12.1 billion in 2012) and maize imports amounted to Dh 4.1 billion in 2013 (as compared to Dh 5.5 billion in 2012). Accordingly, the Kingdom's economy and the budget are, to a degree, subject to the impact of changes in global food prices. See "*Risk Factors—Risks Related to the Kingdom—Subsidies*", "*External Sector—Foreign Trade*" and "*Public Finance—Results for 2012—Subsidies*". Since independence, successive Governments have implemented programmes to reform the agricultural sector, although the sector remains generally underdeveloped.

The following table sets forth Morocco's annual production of its principal agricultural products and fisheries for the periods indicated.

Annual Production of Principal Agricultural Products and Fisheries(1)(2)

	2008/9	2009/10	2010/11	2011/12	2012/13(3)
	(thousands of quintals)(4)				
Principal cereals	104,520	78,254	86,220	53,012	98,636
Sugar beet and sugar cane	35,664	30,682	37,991	21,677	27,618
Pulse crops(5)	2,757	2,824	3,392	2,703	2,933
Garden crops	6,931	6,699	7,409	7,685	7,947
	2009	**2010**	**2011**	**2012**	**2013**
	(thousands of tonnes)				
Meat supplied for consumption	814	860	767	958	1,060
Fisheries products	1,161	1,138	957	1,165	1,241
coastal	*1,018*	*978*	*753*	*928*	*943*
deep sea	*143*	*160*	*204*	*237*	*298*

Notes:

(1) Certain line items and figures differ from previously published data due to on-going revisions.

(2) Figures for the growing season June 1-May 31.

(3) Preliminary data.

(4) One quintal = 100 kg.

(5) Pulse crops are members of the legume family, seeds or plant parts of which are edible.

Sources: Ministère de l'agriculture et de la pêche maritime et Office national des pêches (Ministry of Agriculture and Fisheries, National Office of Fisheries).

Agriculture

The principal crops are cereals (primarily wheat, barley and maize), market gardening, sugar, olives and citrus fruits. Agricultural products represented approximately 18% of Morocco's exports by value in 2013. The principal agricultural exports are fisheries products, vegetables and citrus fruits. In recent years, the agriculture sector has witnessed a steady shift from cereal production for domestic consumption to fruit production for export due to the higher prices farmers can realise and improvements in productivity. The agricultural sector provides approximately 75% of rural jobs.

As a result of more favourable rainfalls and general climatic conditions during the 2013/14 agricultural season, Morocco produced a record harvest of 97.0 million quintals of cereals, as compared to 50.7 million quintals of cereals in 2012/13, a year-on-year increase of 91.3%. Sugar production covers approximately 40-45% of local needs. Citrus fruits, vegetables and tomatoes are also produced, mainly for export to the European Union or for use in the domestic agri-business.

Water shortage and drought are recurrent problems in many parts of Morocco. Morocco has suffered droughts in varying degrees since 1992, including in 2005, 2007, 2008 and 2012, and these conditions diminished the availability of water and curtailed the output of hydroelectric energy facilities. Periods of drought have generally corresponded to declines in the rates of growth of GDP and periods of abundant rainfall have generally corresponded to increases in the rates of growth of GDP. See "*Risk Factors—Risks Relating to the Kingdom—The Kingdom's variable climate*".

Over the last three decades, the Government has implemented several major irrigation and hydroelectric projects to make better use of Morocco's water potential. The *Offices Régionaux de Mise en Valeur Agricole* is the Government network entrusted with agricultural management. The Government has adopted a number of programmes to improve meteorological monitoring to assist farmers in planning their crops and in the timing of planting and harvesting. In 2012, an amount of Dh 4.0 billion was allocated to potable water supply. In 2012, 93.0% of the rural population of the

Kingdom had access to potable water supply, as compared to 86.0% in 2007. The Government has placed renewed emphasis on irrigation. By the end of 2013, land under irrigation represented more than 1.5 million hectares. Morocco has a network of over 135 dams in operation, which assists in the allocation of water resources among the various regions.

The Government is encouraging the consolidation of landholdings to promote large-scale modern farms, hence increasing profitability. Approximately 7.6 million hectares are under cultivation, with modern large scale farms occupying nearly one million hectares, the bulk of the remainder being scattered into small and medium holdings. The Government believes that there are considerable economies of scale to be made by encouraging a less fragmented system of land holding. Farmers are being offered incentives to buy-up neighbouring parcels and the dismemberment of agricultural landholdings arising on inheritance is being limited. Other measures aiming to encourage productivity in the sector include the granting of subsidies for the acquisition of modern tools and equipment.

Because the agriculture sector plays an important economic and social role in Morocco with four million rural Moroccans dependent on the sector, the Government established the *Plan Maroc Vert* for the period 2009-2020. The principal aims of the *Plan Maroc Vert* are to: (i) increase the value added to Morocco's crops; (ii) encourage growth and development of the agriculture sector; (iii) increase employment and exports; and (iv) combat rural poverty. Under the *Plan Maroc Vert*, the Government expects to spend Dh 120 billion over the period to encourage higher value crops, improve productivity, increase exports and employment in the sector and reduce rural poverty. Since 2010, when implementation of the *Plan Maroc Vert* began, the Government has allocated Dh 26 billion to 288 projects, and the Kingdom has enjoyed two record harvests.

Forestry

Morocco possesses extensive forests covering approximately nine million hectares, or 12.7% of the country, of which 5.8 million hectares are managed. Cork and wood-pulp are the most important forest products. Cork is mostly exported and wood-pulp is either exported or used in the domestic paper industry. *Le Fonds National Forestier* (the National Forest Fund, or "**FNF**") was established in 1964 to promote the Kingdom's development of forestry products, preserve biodiversity and integrate forested areas into the Kingdom's rural development strategy. In 2008, the FNF announced plans to reforest a further 500,000 hectares within ten years.

Fisheries

In 2013, fisheries contributed 1.0% to GDP (Dh 8.3 billion). Morocco's fisheries production in 2013 increased in value, as compared to 2012 levels, by approximately 6.5% from the previous year, representing an increase in both deep-sea and costal fishing due in part to rising international fish prices, as well as higher production in volume. The principal fishing centres in Morocco are Agadir, Safi, Essaouira, Tan Tan and Casablanca.

In 2009, the Government announced *Plan Halieutis*, which is intended to modernise the fishing sector and encourage sustainable fisheries policies, support the further development of the maritime fishing industry and increase exports.

Mining

In 2013, mining activities contributed 3.5% to GDP (Dh 30.8 billion). Morocco's proven mineral resources are extensive and mining in general, and phosphates, in particular, have long represented a significant source of industrial raw materials and export earnings. Morocco is believed to possess approximately 75% of the world's estimated reserves of phosphates. Other minerals mined in Morocco include coal, copper, manganese ore, zinc, lead and iron ore.

Morocco is the world's third largest producer (after the United States and China) and the largest exporter of phosphate, representing over one-third of world trade. In 2011, phosphate mining accounted for 78.6% of the mining sector's output and 7.1% of the Kingdom's exports. Phosphate output in 2013 was 26.4 million tonnes, representing a 2.4% decrease over 2012 levels and 8.6 million tonnes of phosphate rock was exported in 2013, as compared to 9.4 million tonnes in 2012. In 2013, phosphate exports were valued at a total of Dh 37.3 billion, a decrease of 22.9%, as compared to 2012, due to lower commodity prices and export volumes.

Phosphate mining is carried out by OCP S.A. ("**OCP**"), which is 94.12% state-owned. OCP operates ten phosphate rock mines at three locations in central Morocco (six at Khouribga and three at Gantour (Ben Guerir and Youssoufia) and one in Western Sahara (at Boucraa)), with a combined annual phosphate rock production capacity of over 30 million tonnes. OCP processes approximately two-thirds of its phosphate rock production into phosphoric acid (including purified phosphoric acid) and phosphate-based fertilisers at its facilities at Safi and Jorf Lasfar.

OCP has an investment programme to increase its production capacity and improve operational efficiency, increase the proportion of exports of finished and semi-finished products (as opposed to raw phosphate rock) and reduce internal transport costs by building slurry pipelines to transport phosphate rock, which is less expensive than rail transport. It is also building a number of processing plants and other facilities and expanding the Jorf Lasfar port. OCP has entered into a number of joint ventures with international operators.

The following table sets forth the total production, sales and prices of phosphate rock for the years indicated.

Phosphate Rock Production, Sales and Prices[1]

	2009	2010	2011	2012	2013[2]
Production (*tonnes thousands*)[3]	18.3	26.6	28.0	27.1	26.4
Foreign sales					
Volume (*tonnes thousands*)	5.8	10.2	9.4	9.4	8.6
Value *(Dh Billions)*	5.2	9.0	15.3	14.8	10.7
Average Price (*U.S.$/tonne*)	122	123	166	159	118

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data
(3) Represents treated phosphate rock, which is phosphate rock available for sale.

Sources: Ministère de l'Energie, des Mines, de l'Eau et de l'Environnement (Ministry of Energy, Mines, Water and the Environment), HCP, OCP.

Small gas fields, which provide fuel for nearby commercial users, have also been discovered in certain regions. New exploration agreements have been entered into with petroleum companies with respect to prospective off-shore fields along the Atlantic coast.

Industrial Sector

In 2013, the industrial sector contributed 14.1% to GDP (Dh 123.4 billion). Since independence, the Government has sought to develop the manufacturing sector as a source of economic growth and employment. The import-substitution policies pursued by the Government throughout much of the post-independence period until the mid-1980s fostered the growth of a diversified manufacturing sector, but have insulated, to a large extent, domestic producers from international competition and production has generally been directed at the domestic market. Since the mid-1980s, the Government's market-orientated policies have been aimed at greater deregulation of domestic markets and encouraging competitiveness in, and the restructuring of, the manufacturing sector and a greater participation by the private sector.

In December 2005, the Government adopted *Plan Emergence*, which was extended by the *Pacte National pour l'Emergence Industrielle* in 2009 to cover the period 2009-2015 with a budget of Dh 16.5 billion for the renewed period. The principal goals of *Pacte National pour l'Emergence Industrielle* are: (i) the establishment of off-shore service centres, such as francophone call centres; (ii) the creation of industrial zones to serve overseas markets, including in respect of the automotive, aerospace and electronics industries; (iii) the modernisation and improvement of existing infrastructure; (iv) the strengthening of the Moroccan economy's competitiveness on a global scale; and (v) the reduction of urban unemployment and increasing the industrial sector's contribution to GDP. In 2014, a new strategy for industrial acceleration was adopted, which aims to encourage industrial growth and to increase the share of manufacturing from 14% of GDP to 23% of GDP by 2020.

In 2010, the Government introduced its *Stratégie Offshoring*, which aims for the Kingdom to become a leading provider of offshore services. The principal aims of *Stratégie Offshoring* are: (i) the provision of an attractive fiscal incentive framework; (ii) the implementation of laws on data protection, which are in line with European regulation; (iii) the extension of the offshoring network; and (iv) the creation of new opportunities in highly-skilled professions (such as in the financial services sector).

In order to close productivity gaps with competitors abroad, the Government has also adopted a research and development programme, which aims to introduce training programmes and to encourage research and development in a number of areas, particularly with the aim of encouraging excellence in certain industries (such as nanotechnology).

As a result of strategies adopted by the Government, new export industries in the automotive sector and aerospace industries have developed. In 2012, the Renault-Tanger factory in Tangier opened with an initial capacity to construct 170,000 vehicles per year, which may be expanded to 400,000 vehicles per year by 2016.

International aerospace companies, including EADS, Boeing, Safran and MATIS, have established a presence in the Kingdom. In September 2012, the Canadian aircraft manufacturer, Bombardier, announced that it would be opening a factory in Morocco and its intention to invest U.S.$200 million in equipment, buildings and start-up costs.

A large number of industrial parks have been developed in Morocco by the private sector, in addition to the free trade zones established by the Government. Industrial exports (semi-finished and finished products) generated approximately Dh 124.0 billion in 2013, which accounted for 67.1% of total exports in 2013.

In 2010, the Government adopted *Stratégie Logistique*, the principal goals of which are: (i) the reduction of the costs of logistics; (ii) the creation of multimodal logistics platforms; (iii) the development of port and road infrastructure; and (iv) the strengthening of competitiveness in the logistics sector.

The following table sets forth changes in percentage terms of the indices of manufacturing production by volume for the years indicated.

Indices of Manufacturing Production[(1)]

	Weighting[(2)]	2011	2012	2013
		(% change)		
Food and beverages industries	19.3	3.0	2.2	1.5
Tobacco industries	11.0	3.9	2.2	2.8
Textiles industries	1.5	(4.2)	(0.8)	(1.3)
Clothing and fur industries	6.4	0.6	4.9	(4.0)
Leather, travel goods and shoes industries	0.2	(2.6)	(7.0)	1.5
Chemical industries	19.7	1.7	1.8	3.5
Metal industries	2.5	3.4	2.7	(1.5)
Products for motorcar industry	1.9	2.6	(2.3)	8.2
Machinery and equipment	1.0	(1.7)	1.2	(3.6)
Products of metalworking	4.0	(0.4)	4.3	6.3
Coke, refining and nuclear industries	5.1	17.2	(0.8)	(6.4)
Total manufacturing	**100**	**2.3**	**2.1**	**0.3**

Notes:

(1) Certain line items and figures differ from previously published data due to on-going revisions.

(2) Base 100 in 2010, accordingly figures for 2009 and 2010 are not available.

Source: HCP.

Construction and Public Works

In 2013, construction and public works contributed 6.1% to GDP (Dh 52.8 billion). Activity in the sector slowed by 1.4% in 2013. The Government considers cement sales to be the principal barometer of activity in the sector. Cement sales decreased by 6.3% in 2013, as compared to 2012, and 1.6% in 2012, as compared to 2011. These decreases are primarily due to a reduction in activity as a result of unfavourable market conditions. In 2013, bank financing to the construction sector increased by 4.7%, as compared to 2012.

This sector has benefited from the large-scale infrastructure projects, as well as the social housing building projects implemented by the Government. The social housing building projects generally benefit from government-guaranteed mortgages and Government-fixed prices. The construction and public works sector employs 1.0 million workers, which represents 9.9% of the active working population aged 15 and older.

Electricity and Water

In 2013, the electricity and water sector contributed 2.4% to GDP (Dh 21.0 billion).

Electricity and Energy

Morocco has limited resources or proven reserves of natural gas, crude oil and coal and therefore depends upon imported sources of energy for more than 95% of its energy requirements. No significant deposits of hydrocarbons have been discovered to date, despite exploration drilling offshore and onshore, but small gas fields have been discovered in certain regions to provide fuel for nearby commercial users. More than 90% of Morocco’s annual production of electricity is generated by thermal power plants, while the remainder is produced by hydroelectric power facilities and wind farms. The performance of Morocco’s energy sector is linked to the performance of the industrial sector and, increasingly, to domestic demand. The Government is implementing a sectoral strategy to secure diverse energy sources and to ensure the availability and accessibility of energy at reasonable prices, with a focus on renewable resources.

Morocco is a net importer of energy. See "*External Sector—Foreign Trade*". Accordingly, the Moroccan economy is subject to shocks from changes in international energy prices, in particular oil prices. See "*Risk Factors—Risks Relating to the Kingdom—Food and Energy Insecurity*", "*Risk Factors—Risks Relating to Morocco—Subsidies*" and "*Public Finance—Results for 2012—Subsidies*". In part to mitigate the potential effects of future fluctuations in oil prices, the Kingdom entered into the PLL with the IMF. See "*Public Debt—International Institutions—IMF*".

The following table sets forth Morocco's total primary energy consumption and local production for the years indicated.

Primary Energy Consumption and Production(1)

	2009	2010	2011	2012	2013(2)
	(in thousands of tonnes oil equivalent)				
Consumption					
Coal	3,475	3,498	3,929	3,916	3,875
Petroleum products	9,106	9,918	10,681	10,791	11,106
Natural gas	586	633	801	1,186	1,134
Hydroelectricity and wind power and imported electricity	1,972	2,097	1,899	1,872	2,481
Consumption	**15,019**	**16,023**	**17,086**	**17,458**	**18,596**
Local production					
Oil and natural gas	49	60	66	82	85
Hydroelectricity and wind power electricity	770	1,073	701	613	1,077
Local production	**819**	**1,133**	**767**	**695**	**1,162**
Deficit	**14,320**	**15,014**	**16,543**	**17,070**	**17,434**
Deficit (*as % of consumption*)	95.3	93.7	96.8	97.8	93.8

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.

Source: Ministry of Energy and Mining.

The Government expects that demand for electricity will continue to rise due to the Government's promotion of further industrialisation and the large rural electrification programme in progress, which aims to provide electricity to 130,000 rural households per year, eventually resulting in additional electricity coverage for 1.9 million rural homes. In 2012, electricity output reached approximately 31,056 GWh, an increase of 8.0% from 2011. Most of Morocco's annual production of electricity is generated by thermal power plants with an aggregate capacity of 10,791 GWh in 2012. Total hydroelectric generating capacity in 2012 was 1,816 GWh, of which Morocco's largest dam, Al-Wahda, accounted for 400 million KWh (average per year).

In November 2009, the Government launched the *Plan Maroc Solaire*, which is an integrated project to install new solar electricity generation capacity of 2,000 MW in five locations: Ouarzazate, Ain Bni Mathar, Foum Al Oued, Boujdour and Sebkhat Tah. The Government expects the project to be completed by 2020 and to represent 38% of the total installed power generation capacity and 14% of the total anticipated electricity production in 2020. The plant at Ouarzazate is expected to be completed by 2015. The Government is also developing two further hydroelectric projects at the El Menzel-Mdez Complex and the STEP d'Abdelmoumen Complex, together representing a further potential generation capacity of 520 MW.

In June 2010, the Government launched the *Programme Intégré de Production Electrique Eolienne* to encourage the development of wind farms with an electricity generation capacity of 2,000 MW by 2020. Six wind farm sites are in various stages of development.

The following table sets forth Morocco's total electricity production for the years indicated.

Electricity Production(1)

	2009	2010	2011	2012	2013
			(million KWh)		
Net production of the *Office National de l'Electricité*	*8,036*	*10,534*	*11,527*	*13,189*	*13,556*
Of which:					
Hydroelectric	*2,952*	*3,631*	*2,139*	*1,816*	*2,990*
Thermal	*4,850*	*6,410*	*8,853*	*10,791*	*9,905*
Imported and other production	4,749	4,091	4,824	4,981	660
Concessional Production	12,773	12,166	12,620	13,168	12,739
Adjustments	(37)	(15)	(38)	(33)	(41)
Total	**25,016**	**26,531**	**28,752**	**31,056**	**31,885**

Note:

(1) Certain line items and figures differ from previously published data due to on-going revisions.

Source: Ministry of Energy and Mining.

Electricity production for 2013 increased by 2.7%, as compared to 2012, while the volume of electricity imports increased by 11.5%. Electricity consumption increased by 0.6% over the same period.

In November 1996, the 1,430 km Euro-Maghreb natural gas pipeline was completed. This pipeline exports Algerian natural gas to Spain and Portugal. Its carrying capacity is about 12 billion cubic metres per year. In 2011, Morocco earned transit fees of approximately Dh 2.1 billion.

A number of international oil companies are currently conducting exploration offshore activities, including BP, Chevron, Cairn Energy, Genel Energy and Kosmos Energy. It is expected that drilling activities will commence in 2014 in three offshore blocks off the coast of Agadir.

Morocco's energy sector also comprises several oil distribution companies and an oil refinery, *Société Anonyme Marocaine de l'Industrie de Raffinage*. There have been attempts to develop alternative sources of energy in an effort to supplement Morocco's limited natural resources. Alternative sources of energy, such as solar energy, wind-power and co-generation, are increasingly being used.

The Kingdom, with the assistance of the World Bank, is in the process of developing a programme to address its energy generation needs, in light of the increases in energy prices and expanding consumption. The objectives include the liberalisation of the energy market, the development of renewable energy sources (including wind, solar and hydroelectric), the increased use of natural gas (especially for industrial and electricity production uses) and conservation measures (especially in industrial consumption).

Water

The Government's water sector policy is aimed at ensuring the delivery of potable water to the population, further developing irrigation for agricultural use and ensuring adequate supplies for industrial and tourism uses. Three dams creating reservoirs with a capacity of 17.5 billion cubic metres have been completed, and 13 further major dams are under construction.

Tourism

In 2013, tourism receipts contributed 6.6% to GDP (Dh 57.6 billion), as compared to 7.0% (Dh 57.8 billion in 2012). This decrease was despite a 9.3% increase in tourist nights.

Tourism represents the largest source of foreign currency earnings, contributing 15.3% of total balance of payment current receipts in 2013. In 2013, French and Spanish tourists accounted for approximately 45.8% of the total visitors to the Kingdom, followed by Belgian, Dutch, British and German citizens.

The following table sets forth the key indicators and the number of tourist visits to Morocco for the years indicated.

Annual Visits by Tourists to Morocco(1)

	2009	2010	2011	2012	2013
Tourism receipts (*Dh billion*)	52.8	56.4	59.1	57.8	57.6
MREs (*visits, millions*)	4.0	4.4	4.4	4.4	4.7
Foreign Tourists (*visits, millions*)	4.3	4.9	4.9	5.0	5.3
Total (*visits, millions*)	**8.3**	**9.3**	**9.3**	**9.4**	**10.0**

Note:
(1) Certain line items and figures differ from previously published data due to on-going revisions.

Source: Ministry of Tourism and HCP.

In 2010, the Government adopted *Vision 2020*, a strategy for the tourism sector, which principally aims to double the size of the tourism sector and raise Morocco to a position within the top 20 tourist destinations worldwide by 2020. The Government expects that this will have the effect of creating 470,000 new jobs.

Infrastructure

Rail Networks

The national rail network, operated by the *Office National des Chemins de Fer* ("**ONCF**") totals 2,109 km, of which 1,222 km are electrified and 529 km are double tracks. Six of Morocco's main ports (Casablanca, Safi, Tangier, Tanger-Med, Kenitra and Jorf Lasfar) are open to rail traffic, and ONCF is expanding its facilities at Tanger-Med. ONCF operates in three main sectors: passenger transport, freight transport and phosphates transport. In 2012, ONCF transported over 36 million passengers and over 36 million tonnes of freight and phosphates.

A Programme Agreement was entered into by the Government and ONCF to cover the period 2010-2015, pursuant to which Dh 30 billion is expected to be invested, mainly in building double railway tracks for both passenger and freight transport, including Dh 20 billion to construct a high-speed train between Tangier and Casablanca.

In December 2011, ONCF commenced work on a high-speed network (the "**TGV**"), which is expected to be completed in 2035. It will comprise two lines – an "Atlantic" line, initially connecting Tangier, Rabat and Casablanca and subsequently being extended to Marrakesh, Essouira and Agadir, and a "Maghrebian" line, initially connecting Casablanca, Meknes and Fes and subsequently being extended to the Algerian border at Ouijda. The TGV will carry both passengers and freight, in particular, manufactured goods to the Tanger-Med port in Tangier.

Road Networks

Morocco has an extensive road network. The Government is in the process of expanding the motorway network, in order to link the Kingdom's major cities. Currently, the motorway network runs along the Atlantic coast from El Jadida to Tangier, through Casablanca and Rabat, from Rabat to Ouijda on the Algerian border, through Meknes and Fez, and from Tangier to Tetouan in the Rif mountains. The Government intends to extend the Tangier-El Jadida motorway to extend further south and is building a ring road around Rabat. In 2011, the budget for *Autoroutes du Maroc*, which is responsible for the development of the Moroccan road network, was over Dh 5 billion, of which Dh 1.1 billion was contributed from the Kingdom's Treasury.

Ports

Morocco has 30 ports (21 on the Atlantic Ocean and nine on the Mediterranean Sea), 13 of which are international: Agadir, Casablanca, Dakhla, Jorf Lasfar, Kénitra, Laayoune, Mohammedia, Nador, Safi, Tan Tan, Tangier and Tanger-Med. Moroccan ports have expanded with the growth in external trade, and port traffic averaged approximately 92.3 million tonnes annually in 2012. A deep water facility, Tanger-Med, opened in July 2007, and a passenger terminal opened in 2010. It is located near Ksar Sghir, approximately 30 km north of Tangier and has, amongst its facilities, a 2 km offshore dam, three container terminals and passenger and truck facilities. The port is intended to be a hub at the mouth of the Straits of Gibraltar and the Mediterranean Sea, where large container ships can unload and transfer their goods to smaller units, which will then distribute such goods to smaller Mediterranean ports. Tanger-Med is the largest port in the Mediterranean and in Africa, with a capacity of three million Twenty-foot Equivalent Units ("**TEU**"). Construction on a second port, Tanger-Med II, began in June 2009. When completed, Tanger-Med II is expected to increase capacity to eight million TEU. In December 2013, Morocco and the Arab Fund for Economic and Social

Development entered into a loan and guarantee agreement in respect of the second phase of the Tanger-Med II project in an amount of approximately Dh 1.5 billion.

Air Traffic

The principal Moroccan cities are served by domestic and international airlines. There are 15 international airports in Morocco: Casablanca, Agadir, Marrakesh, Tangier, Rabat, Oujda, Fez, Laayoune, Nador, Al Hoceima, Ouarzazate, Errachidia, Dakhla, Tetouan and Essaouira, in addition to six domestic airports and three secondary domestic airports. In late 2005, an Open Sky agreement was entered into between Morocco and the European Union, which has increased the number of flights and competition, particularly on international routes, in Morocco. In 2012, Moroccan air traffic decreased by 3.6%, following increases of 2.0% in 2011 and 15.1% in 2010. In 2013, Moroccan air traffic increased by 9.2%, as compared to 2012.

Casablanca's Mohammed V airport accounted for 50.9% of air traffic and Marrakesh Menara airport accounted for 20.0% in 2012. Over 24 airlines operate at the Mohammed V airport, which served over 1,100 international flights per week and a total of over 7.2 million passengers in 2012. A new terminal is in operation and the capacity of the airport is over 10 million passengers per year.

Royal Air Maroc ("**RAM**"), the national airline, operates domestic and international flights and serves over 80 destinations in Europe, the Middle East, Africa and North America. The Kingdom owns 95.95% of RAM, which in turn owns 99% of Atlas Blue (a low-cost airline intended to compete with European low cost carriers for market share on leisure routes from Western Europe). The Government has indicated that it may partially privatise RAM. RAM Express serves the domestic market with low-cost transportation intended to support the further development of the domestic air travel and tourism market.

A second major airline operator, Regional Airlines ("**RAL**") started its activities in July 1997. RAL operates mainly domestic routes, it also has services to southern Spain, the Canary Islands and Portugal. RAL is the first privately-owned airline in Morocco, with its share capital held by various Moroccan institutions. Another Moroccan operator, Jet4You had its first commercial flight in February 2006 and is owned by TUI Group, a leading European tour operator, and two institutional investors, Attijariwafa Bank and *Société Générale Marocaine de Banques*. Jet4you connects several Moroccan, French, Belgian, German and Italian airports. A third private airline, Air Arabia, commenced operations as a regional low-cost carrier in Morocco in 2009 and operates hubs at Mohamed V airport, as well as in Alexandria, Egypt and Sharjah, United Arab Emirates.

Informal Economy

The Kingdom has a significant informal economy in terms of the production of both goods and services and is a significant source of employment. Accordingly, the HCP has conducted two studies of the informal economy in 1999 and 2007. According to the HCP, the informal economy accounted for an estimated 14.3% of GDP in 2007, as compared to 16.3% of GDP in 1999. Approximately 2.2 million people participated in the informal economy in 2007, as compared to 1.9 million in 1999. Of the participants in the informal economy, approximately 37.3% work in agriculture.

The Government is implementing a number of policies to reduce the size of the informal sector and shift informal sector businesses and employees into the formal system. These policies include a 15% reduction of corporate taxes on businesses with a turnover less than Dh 2 million per year and the elimination of certain zoning fees.

Employment and Wages

The Statistical Department of the Moroccan Government customarily reports Moroccan employment statistics in terms of formal and informal employment in urban and, more recently, rural areas. Formal employment comprises employment duly registered with the Ministry of Labour and subject to social security contributions by employers. Informal employment is not registered or subject to employment contributions.

Successive governments have reduced overall unemployment over the past ten years. Overall unemployment was 12.5% in 2001, as compared to 9.2% in 2013. The active working population (*i.e.*, the labour force aged 15 and over) was 11.7 million, representing a small increase from same period of 2012, when the active working population was 11.5 million. See "*—Social Policy*".

The following table sets forth key employment and unemployment indicators for the years indicated.

Employment Indicators[(1)]

	2012			2013		
	Urban Areas	***Rural Areas***	***Total***	***Urban Areas***	***Rural Areas***	***Total***
			(thousands)			
Total population	19,158	13,462	32,597	19,513	13,437	32,950
Labour force (aged 15 and over)[(2)]	6,145	5,404	11,549	6,218	5,488	11,706
			(%)			
Activity rate	42.8	57.0	48.4	42.4	57.4	48.3
Unemployment rate	13.4	4.0	9.0	14.0	3.8	9.2
By gender						
Men	11.5	4.9	8.7	12.3	4.9	9.1
Women	20.6	1.9	9.9	20.4	1.6	9.6
By age						
15-24 years	33.5	8.9	18.6	36.0	8.4	19.3
25-34 years	19.6	4.3	13.2	19.8	4.2	13.2
35-44 years	7.0	2.1	5.0	7.9	2.3	5.6
45 years and over	2.7	1.0	1.9	3.5	1.1	2.3
By degree						
Without a degree	6.9	2.4	4.0	8.1	2.4	4.5
With degree	18.2	10.6	16.4	18.2	9.8	16.3

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Labour force aged 15 and over as a percentage of the total population aged 15 and over.

Source: HCP.

In addition to the Government policies described above, the Government has established several programmes intended to increase employment and to create and support 220,000 new jobs by the end of 2020. The *Idmaj* programme aims to assist young people and graduates access employment. From 2009 to mid-2012, over 190,000 people have received jobs from the *Idmaj* programme. From January to August 2013, a further 34,626 people received jobs, 2,398 of which involved an international placement. The *Taehil* programme offers training programmes for graduates to gain skills in targeted professions. From 2007 to August 2013, over 101,000 graduates participated in the *Taehil* programme, including 14,752 during the first eight months of 2013. In addition, the *Moukawalati* programme aims to encourage the establishment of small businesses through providing assistance and financial support, which may be guaranteed by the *Caisse Centrale de Garantie*. From 2007 to August 2013, over 5,100 projects have benefitted from the *Moukawalati* programme. In the first eight months of 2013, support was provided under the *Moukawalati* programme to 819 projects, including the establishment of 442 businesses and 573 jobs.

The Government has also introduced a number of measures to introduce flexibility in the employment market through reforming labour laws.

The following table sets forth information on employment in the public sector for the years indicated.

Employment in the Public Sector

	2009	2010	2011	2012	2013
Number of public sector employees	690,687	863,245	872,547	883,916	894,621
Personnel expenses (*Dh billions*)[(1)(2)]	75.5	78.8	89.0	96.3	98.6

Notes:
(1) See "*Public Finance—Public Accounts*".
(2) Personnel expenses are budgeted at Dh 103.7 billion for 2014.

Source: Ministry of Economy and Finance.

Morocco has two indicative minimum wages, an agricultural minimum wage ("**SMAG**") and a non-agricultural minimum wage ("**SMIG**"), which are set by the Government. Although subject to periodic review, the statutory minimum is not automatically indexed to inflation. The SMAG is Dh 63.39 per day, and the SMIG is Dh 12.24 per hour.

With effect from May 2011, the Government increased all public sector wages by a nominal amount of Dh 600 (approximately U.S.$75) per month.

There are three major trade unions in Morocco: the *Confédération Démocratique du Travail* (the "**CDT**"), the *Union Générale des Travailleurs du Maroc* and the *Union Marocaine du Travail*. In April 2003, a fourth union, the *Fédération Démocratique du Travail* was established, as a result of a split from the CDT. There are a number of smaller labour unions as well. The rights to join a trade union and to strike are guaranteed by the 2011 Constitution.

Education

Education has long been considered an important factor in Morocco's development and continues to feature significantly in the Government's policies. The Government is committed to reducing illiteracy, which, nationally, is estimated at 30%, although the rates are higher amongst females and rural populations. Illiteracy stood at 30% in 2012, 41% in 2007, 48% in 1998 and 87% in 1960. Since 1996, education spending has increased from 41% to 53% of Government expenditures in 2012.

Basic education is compulsory for boys and girls. Pupils who have successfully passed through the first cycle (primary school) can proceed to a second cycle in the basic education system for a further three-year period. Following this, a system of secondary schools exists for boys and girls. In the school year 2011/2012, the enrolment rate was 97.9% for pupils 6-11 years old (as compared to 90.7% in 2006/2007 and 79% in 1999/2000) and 83.7% for pupils 12-14 years old (as compared to 50% in 1999/2000).

In the 2011/12 school year, there were 114 public universities, 2,013 private institutes and 55 higher educational schools.

In 2009, the Ministry of Education announced the *Programme d'Urgence 2009-2012*, which comprises four national priorities: (i) requiring children to be in school until at least the age of 15; (ii) encouraging innovation and excellence in high schools and universities; (iii) addressing systemic problems; and (iv) providing students with the means to succeed.

Social Policy

There are several health and social welfare agencies operating contributory schemes, which are compulsory for all employed persons. Workers are entitled to social welfare in the event of illness, occupational accidents and old age. At the end of 2012, Morocco had over 140 public hospitals, over 2,650 public health clinics, of which approximately 2,000 are in rural areas, over 6,650 private medical practices and 315 private clinics.

The pension system in Morocco is operated primarily by three public organisations and one private organisation: the *Caisse Marocaine de Retraite*, a mandatory fund into which civil servants are required to pay a set percentage of their net income and the Government is obliged to make a matching contribution; the *Caisse Nationale de Sécurité Sociale* ("**CNSS**"), a mandatory fund covering private sector employees and providing family allowances, medical disability and death benefits and pensions; the *Caisse Interprofessionnelle Marocaine des Retraites*, a non-profit organisation which private sector employers may join on behalf of their employees to provide a retirement pension in addition to the pension from CNSS; and the *Caisse Nationale de Retraite et d'Assurance*, which provides pensions to contractual workers in Government service and is managed by CDG. Certain state-owned enterprises also operate their own pension systems, and insurance companies run some private pension schemes.

Certain pension funds in the Kingdom are currently in a flow deficit (*i.e.*, contributions are outpaced by expenditures) and, according to IMF projections, due to demographic changes and relatively high benefits, pension expenditures would rise from approximately 3% of GDP in 2011 to almost 10% of GDP in 2050, while pension contributions would remain flat. Accordingly, since 2004, a comprehensive reform of the national pension system for both private and public sector employees has been under consideration by a national committee, chaired by the Head of Government, and a technical committee, composed of representatives the Ministry of Finance, other Government ministries, trade unions, employers and the pension funds. Following consultations with the World Bank, the International Labour Organisation and others, the national committee agreed a reform framework in January 2013, and the technical committee is currently considering measures to implement the framework.

In 2002, a law was enacted to expand access to healthcare. The law has two components. A mandatory health insurance scheme (*l'assurance maladie obligatoire* or the "**AMO**") came into force in August 2005. The AMO covers employed people, pension holders, student, army veterans and others. Participants pay into a common pool, and risk is shared among all of the participants. A Dh 3 billion programme to provide access to healthcare for the as many as 8.5 million people who do not otherwise have such access (*le régime d'assistance médicale aux économiquement démunis* or

“**RAMED**”) was launched in November 2008 and is now in its third and last phase of implementation throughout the Kingdom.

In May 2005, the King launched the National Human Development Initiative (the “**INDH**”). The principal aims of the INDH are to: (i) support income-generating activities; (ii) build economic capacity; (iii) improve access to basic infrastructure and services; and (iv) alleviate extreme vulnerability.

The Government spent Dh 10 billion on the first phase of INDH (2006-2010), which is estimated to have assisted over 5.2 million Moroccans, and expects to spend a further Dh 17 billion during the second phase (2011-2015). Funding for the second phase, which is intended build on the results of the first phase and combat rural poverty and urban social exclusion, is expected to be financed from loans from the World Bank (including a U.S.$300 million loan package approved in June 2012) and other international institutions, bilateral loans and grants and through the budget.

In addition to the INDH, the Government has a number of active programmes aimed at extending housing and basic social services, especially in rural areas with special electricity, health, water and education programmes.

EXTERNAL SECTOR

Foreign Trade

Foreign trade is an important factor in the Moroccan economy. Morocco's merchandise trade balance has a structural deficit. During the period 2009-2013, the trade deficit has fluctuated but has increased by Dh 44.3 billion over the period, primarily due to higher international energy and commodity prices and an increase in the import of capital goods and semi-finished products, principally due to increased economic activity in Morocco, as well as the reduction in the growth of European demand for Moroccan exports due to the deterioration of the European economy (which also contributed to a decline in remittances from MREs and tourism revenues over the period). Morocco's external trade balance in services is generally positive. The trade deficit contributed to a negative current account balance in 2013 representing 7.6% of GDP, as compared to 9.8% in 2012. See "*—Balance of Payments*" and "*—Current Account*".

Morocco's main merchandise exports are manufactured goods (consisting of finished products and semi-finished products), agricultural products and phosphates. Finished products (comprising capital goods and consumer goods) accounted for 43.5% of total exports in 2013 and are mainly comprised of consumer goods (*e.g.*, textiles, ready-to-wear clothing, shoes, automobile and other products). Semi-finished products, mainly fertilisers and phosphoric acid, accounted for 24.5% of total exports during in 2013. Agricultural and food products, including raw animal and vegetable products, represented 32.7% of total exports. Most export crops are grown on irrigated land and, therefore, are not influenced by drought. Total export earnings from raw mineral products, comprising mainly phosphate rock and other minerals, were approximately Dh 184.7 billion in 2013, of which Dh 37.1 billion was phosphates and derivatives. In 2013, raw mineral products accounted for 8.1% of total exports. Energy and lubricant exports accounted for 5.0% of total exports during the same period.

Energy and lubricants accounted for 27.1% of imports in 2013 and food, beverages and tobacco accounted for 9.4% of total imports. Semi-finished products (chemical products, iron and steel, plastics and paper and cardboard) accounted for approximately 21.0% of total imports and finished products for approximately 38.0% of total imports in 2013. In 2013, approximately 44.2% of finished goods were consumer goods and the balance consisted of both agricultural and industrial capital goods. Consumer goods are sensitive to the level of domestic consumption and capital goods are sensitive to the level of domestic investment.

The European Union (principally, France and Spain) and the United States are Morocco's largest trading partners.

The tables below set out the exports of Morocco by main area of destination for the years indicated.

Exports (FOB)[(1)(2)]

	2009	2010	2011	2012	2013[(3)]
			(Dh millions)		
European Union countries, of which	**74,555**	**89,310**	**102,711**	**104,893**	**111,690**
France	28,122	33,558	36,844	39,629	39,543
Spain	23,274	25,297	31,958	30,383	34,827
Germany	3,827	4,685	4,999	5,652	5,021
Italy	5,286	6,725	734	6,785	6,977
Great Britain	3,764	4,341	4,889	5,382	4,991
Netherlands	2,925	4,219	5,446	5,391	5,499
Belgium-Luxembourg Economic Union	2,035	3,985	3,501	3,437	4,756
Other European Union countries	5,322	65	7,734	8,234	10,076
Other European countries	**5,527**	**13,709**	**11,321**	**9,836**	
Asian countries, of which	**15,467**	**24,372**	**28,337**	**27,951**	**22,046**
Middle East Countries, of which	5,184	8,964	8,642	8,946	8,215
Saudi Arabia	*237*	*373*	*335*	*907*	*540*
Iran	*108*	*693*	*5*	*2*	*3*
United Arab Emirates	*280*	*1,259*	*742*	*493*	*421*
Jordan	*317*	*395*	*381*	*365*	*221*
Other	*4,242*	*6,244*	*7,179*	7,179	*703*
Other Asian countries, of which	10,283	15,408	19,695	19,006	13,831
India	*5,852*	*9,056*	*12,164*	*10,181*	*6,849*
Other	*4,431*	*6,351*	*7,531*	*8,825*	*6,982*
American countries, of which	**7,436**	**14,457**	**19,892**	**22,143**	**21,296**
United States	356	564	795	7,884	7,791
Brazil	2,339	5,645	9,038	1,089	11,028
Other	1,538	3,171	2,904	3,369	2,477
African countries, of which	**8,257**	**10,784**	**11,455**	**17,690**	**16,325**
Egypt	855	872	625	1200	1,402
Maghreb-Arab Union countries, of which	251	3,321	3,868	4,897	441
Algeria	*1,061*	*1,163*	*1,899*	*1,999*	*1,761*
Tunisia	*730*	*1,208*	*903*	*1,047*	*730*
Libya	*348*	*319*	*240*	*700*	*733*
Mauritania	*370*	*631*	*826*	*1,152*	*1,186*
Other	4,892	659	6,952	11,593	10,513
Oceania and other countries	**1,823**	**2,793**	**3,992**	**3,060**	**3,331**
Total	113,020	149,583	174,994	184,885	184,685

Notes:
(1) On a free-on-board shipment basis.
(2) Certain line items and figures differ from previously published data due to on-going revisions.
(3) Preliminary data.

Source: Foreign Exchange Control Office.

Exports (FOB)[(1)(2)]

	2009	2010	2011	2012	2013[(3)]
			(% of total)		
European Union countries, of which	**66.0**	**59.7**	**58.7**	**56.7**	**60.5**
France	24.9	22.4	21.1	21.4	21.4
Spain	20.6	16.9	18.3	16.4	18.9
Germany	3.4	3.1	2.9	3.1	2.7
Italy	4.7	4.5	0.4	3.7	3.8
Great Britain	3.3	2.9	2.8	2.9	2.7
Netherlands	2.6	2.8	3.1	2.9	3.0
Belgium-Luxembourg Economic Union	1.8	2.7	2.0	1.9	2.6
Other European Union countries	4.7	0.0	4.4	4.5	5.5
Other European countries	**4.8**	**5.3**	**4.9**	**4.9**	**5.4**
Asian countries, of which	**13.7**	**16.3**	**16.2**	**15.1**	**11.9**
Middle East Countries, of which	4.6	6.0	4.9	4.8	4.4
Saudi Arabia	*0.2*	*0.2*	*0.2*	*0.5*	*0.3*
Iran	*0.1*	*0.5*	*0.0*	*0.0*	*0.0*
United Arab Emirates	*0.2*	*0.8*	*0.4*	*0.3*	*0.2*
Jordan	*0.3*	*0.3*	*0.2*	*0.2*	*0.1*
Other	*3.8*	*4.2*	*4.1*	*3.9*	*0.4*
Other Asian countries, of which	9.1	10.3	11.3	10.3	7.5
India	*5.2*	*6.1*	*7.0*	*5.5*	*3.7*
Other	*3.9*	*4.2*	*4.3*	*4.8*	*3.8*
American countries, of which	**6.6**	**9.7**	**11.4**	**12.0**	**11.5**
United States	0.3	0.4	0.5	4.3	4.2
Brazil	2.1	3.8	5.2	0.6	6.0
Other	1.4	2.1	1.7	1.8	1.3
African countries, of which	**7.3**	**7.2**	**6.5**	**1.0**	**8.8**
Egypt	0.8	0.6	0.4	0.7	0.8
Maghreb-Arab Union countries, of which	0.2	2.2	2.2	2.6	0.2
Algeria	*0.9*	*0.8*	*1.1*	*1.1*	*1.0*
Tunisia	*0.6*	*0.8*	*0.5*	*0.6*	*0.4*
Libya	*0.3*	*0.2*	*0.1*	*0.4*	*0.4*
Mauritania	*0.3*	*0.4*	*0.5*	*0.6*	*0.6*
Other	4.3	0.4	4.0	6.3	5.7
Oceania and other countries	1.6	1.9	2.3	1.7	1.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:
(1) On a free-on-board shipment basis.
(2) Certain line items and figures differ from previously published data due to on-going revisions.
(3) Preliminary data.

Source: Foreign Exchange Control Office.

The following table sets forth the composition of Moroccan exports for the years indicated.

Composition of Exports[1]

	2009	2010	2011	2012	2013[2]
			(Dh millions)		
Foodstuffs, beverages and tobacco, of which	**25,193**	**26,796**	**28,644**	**30,105**	**33,504**
Citrus fruits	2,513	3,212	3,480	2,769	3,419
Early vegetables	4,659	4,809	5,866	5,624	6,691
Fresh fruits	1,572	1,492	1,955	2,037	2,279
Crustaceans molluscs and shellfish	4,439	4,564	5,485	5,831	5,969
Fresh fish	2,030	1,862	1,693	2,006	2,221
Canned fish	4,837	5,154	4,283	5,702	5,888
Canned fruits and vegetables	1,537	1,655	1,602	1,379	1,365
Fish meal	734	1,027	612	902	933
Energy and lubricants	**2,628**	**1,589**	**4,558**	**7,428**	**9,274**
Raw animal and vegetable products	**2,383**	**3,768**	**3,371**	**3,254**	**2,789**
Raw mineral products, of which	**7,376**	**14,322**	**19,397**	**18,831**	**14,882**
Phosphates	4,453	8,984	12,610	12,827	9,097
Semi-finished products,[3] **of which**	**26,285**	**44,874**	**54,399**	**52,776**	**44,974**
Natural and chemical fertilisers	5,620	13,151	18,743	20,902	16,180
Phosphoric acid	8,051	13,753	16,392	14,667	12,053
Electronic devices (transistors)	3,870	4,885	4,831	4,334	4,133
Agricultural capital goods	**50,637**	**43,304**	**44,473**	**52,698**	**65,568**
Industrial capital goods, of which	**16,326**	**23,089**	**26,535**	**27,459**	**31,872**
Wires and cables for electricity	9,087	13,693	16,570	15,219	16,985
Industrial vehicles	964	1,124	1,787	1,737	3,284
Electronics	108	2,309	2,680	1,716	2,917
Consumer goods, of which	**32,829**	**35,145**	**38,090**	**44,742**	**47,166**
Clothing	17,796	18,041	18,430	19,518	19,017
Passenger cars	368	449	893	5,634	9,643
Hosiery	6,461	6,973	7,742	8,128	7,253
Shoes	2,315	2,385	2,392	2,051	2,153
Total	**113,020**	**149,583**	**174,994**	**184,885**	**184,685**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.
(3) Including industrial gold

Source: Foreign Exchange Control Office.

The tables below set out the imports of Morocco by main area of origin for the years indicated.

Imports (CIF)[(1)(2)]

	2009	2010	2011	2012	2013[(3)]
			(Dh millions)		
European Union countries, of which	**138,208**	**146,634**	**170,184**	**183,416**	**190,119**
France	41,080	46,379	50,989	48,050	49,123
Spain	32,141	31,603	39,267	50,962	51,451
Germany	14,394	13,706	16,013	18,493	18,221
Italy	17,290	17,729	18,568	18,973	20,286
Great Britain	4,800	6,322	7,175	8,481	7,177
Netherlands	6,337	5,195	5,893	5,771	6,033
Belgium-Luxembourg Economic Union	4,175	4,283	6,815	6,372	6,797
Other European Union countries	17,991	21,417	25,464	26,314	31,031
Other European countries, of which	**20,259**	**23,192**	**36,058**	**44,832**	**38,732**
Russia	7,574	11,270	16,550	20,263	16,033
Turkey	5,756	**6,425**	9,445	9,805	11,663
Asian countries, of which	**57,654**	**74,081**	**83,291**	**92,130**	**84,622**
Middle East Countries, of which	26,512	36,024	50,343	54,014	51,905
Saudi Arabia	*11,547*	*17,750*	*24,649*	*24,502*	*23,400*
Iran	*594*	*1,344*	*86*	*10*	*8*
United Arab Emirates	*1,454*	*1,644*	*2,460*	*4,508*	*2,565*
Jordan	*123*	*114*	*162*	*130*	*97*
Other	*12,792*	*15,172*	*22,987*	*24,864*	*25,834*
Other Asian countries, of which	31,142	38,057	32,948	38,116	32,717
Japan	*4,049*	*3,766*	*3,363*	*5,631*	*2,703*
China	*20,610*	*24,993*	*23,313*	*25,599*	*26,371*
Other	*6,483*	*9,298*	*6,271*	*6,885*	*3,643*
American countries, of which	**33,355**	**35,559**	**48,227**	**46,168**	**45,739**
United States	18,289	20,981	28,984	24,703	28,524
Brazil	6,046	6,443	8,412	8,735	6,772
Argentina	1,527	2,902	4,534	5,434	4,627
Other	7,492	5,234	6,298	7,296	5,816
African countries, of which	**13,716**	**17,587**	**19,042**	**19,663**	**19,782**
Egypt	3,060	3,512	3,980	4,031	4,146
Maghreb-Arab Union countries, of which	7,983	9,579	11,085	12,013	12,805
Algeria	*5,772*	*7,055*	*8,687*	*9,725*	*10,799*
Tunisia	*1,825*	*2,142*	*2,280*	*2,080*	*1,865*
Libya	*380*	*372*	*110*	*203*	*130*
Mauritania	*7*	*11*	*8*	*5*	*11*
Other	2,673	4,495	3,977	3,619	2,831
Oceania and other countries	**790**	**910**	**967**	**739**	**926**
Total	**263,982**	**297,963**	**357,770**	**386,948**	**379,920**

Notes:
(1) On a cost, insurance, freight basis.
(2) Certain line items and figures differ from previously published data due to on-going revisions.
(3) Preliminary data.

Source: Foreign Exchange Control Office.

Imports (CIF)(1)(2)

	2009	2010	2011	2012	2013(3)
			(% of total)		
European Union countries, of which	**52.4**	**49.2**	**47.6**	**47.4**	**50.0**
France	15.6	15.6	14.3	12.4	12.9
Spain	12.2	10.6	11.0	13.2	13.5
Germany	5.5	4.6	4.5	4.8	4.8
Italy	6.5	6.0	5.2	4.9	5.3
Great Britain	1.8	2.1	2.0	2.2	1.9
Netherlands	2.4	1.7	1.6	1.5	1.6
Belgium-Luxembourg Economic Union	1.6	1.4	1.9	1.6	1.8
Other European Union countries	6.8	7.2	7.1	6.8	8.2
Other European countries, of which	**7.7**	**7.8**	**10.1**	**11.6**	**10.2**
Russia	**2.9**	**3.8**	**4.6**	**5.2**	**4.2**
Turkey	**2.2**	**2.2**	**2.6**	**2.5**	**3.1**
Asian countries, of which	**21.8**	**24.9**	**23.3**	**23.8**	**22.3**
Middle East Countries, of which	10.0	12.1	14.1	14.0	13.7
Saudi Arabia	*4.4*	*6.0*	*6.9*	*6.3*	*6.2*
Iran	*0.2*	*0.5*	*0.0*	*0.0*	*0.0*
United Arab Emirates	*0.6*	*0.6*	*0.7*	*1.2*	*0.7*
Jordan	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other	*4.8*	*5.1*	*6.4*	*6.4*	*6.8*
Other Asian countries, of which	11.8	12.8	9.2	9.9	8.6
Japan	*1.5*	*1.3*	*0.9*	*1.5*	*0.7*
China	*7.8*	*8.4*	*6.5*	*6.6*	*6.9*
Other	*2.5*	*3.1*	*1.8*	*1.8*	*1.0*
American countries, of which	**12.6**	**11.9**	**13.5**	**11.9**	**12.0**
United States	6.9	7.0	8.1	6.4	7.5
Brazil	2.3	2.2	2.4	2.3	1.8
Argentina	0.6	1.0	1.3	1.4	1.2
Other	2.8	1.8	1.8	1.9	1.5
African countries, of which	**5.2**	**5.9**	**5.3**	**5.1**	**5.2**
Egypt	1.2	1.2	1.1	1.0	1.1
Maghreb-Arab Union countries, of which	3.0	3.2	3.1	3.1	3.4
Algeria	*2.2*	*2.4*	*2.4*	*2.5*	*2.8*
Tunisia	*0.7*	*0.7*	*0.6*	*0.5*	*0.5*
Libya	*0.1*	*0.1*	*0.0*	*0.1*	*0.0*
Mauritania	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other	1.0	1.5	1.1	0.9	0.7
Oceania and other countries	**0.3**	**0.3**	**0.3**	**0.2**	**0.2**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:
(1) On a cost, insurance, freight basis.
(2) Certain line items and figures differ from previously published data due to on-going revisions.
(3) Preliminary data.

Source: Foreign Exchange Control Office.

The following table sets forth composition of Moroccan imports for the years indicated.

Composition of Imports[1]

	2009	2010	2011	2012	2013[2]
			(Dh millions)		
Foodstuffs, beverages and tobacco, of which	**24,213**	**29,100**	**38,810**	**41,783**	**35,667**
Wheat	5,483	7,397	11,639	12,067	8,221
Maize	2,874	3,746	4,780	5,484	4,071
Sugar	3,409	3,301	4,820	5,101	3,713
Energy and lubricants, of which	**54,136**	**68,479**	**90,350**	**106,619**	**102,094**
Crude oil	17,166	25,090	31,423	37,609	36,326
Refined petroleum products	27,940	36,245	50,047	57,083	54,700
Coal	4,762	4,530	5,514	5,916	4,756
Raw products, of which	**13,776**	**15,915**	**22,542**	**22,987**	**17,802**
Vegetable oils	3,397	3,449	4,321	4,098	3,191
Sulphur	1,388	2,794	6,091	6,697	4,152
Timber	2,709	3,197	3,430	3,217	2,751
Semi-finished products, of which	**52,813**	**62,777**	**76,505**	**77,113**	**80,094**
Plastic materials	7,030	7,755	9,810	10,643	11,286
Chemical products	6,862	7,049	7,987	8,127	7,954
Iron and steel	5,353	6,001	7,864	6,601	8,092
Agricultural capital goods	**3,225**	**2,024**	**1,824**	**1,752**	**2,190**
Industrial capital goods, of which	**62,911**	**63,915**	**66,313**	**71,432**	**78,256**
Machinery and miscellaneous equipment	10,187	10,869	11,742	12,142	11,642
Electrical switch gear	2,103	2,944	3,796	4,304	6,172
Wires and cables for electricity	2,932	3,287	4,746	4,027	4,989
Consumer goods, of which	**52,908**	**55,753**	**61,426**	**65,260**	**63,789**
Passenger cars	8,314	9,501	9,001	10,570	9,249
Spare parts	1,309	3,422	5,077	5,222	5,047
Textile fibres and cotton	6,501	6,745	7,905	8,020	7,671
Pharmaceutical products	4,069	4,553	4,906	4,795	5,038
Telecommunications receivers	4,634	4,944	4,509	3,942	4,078
Total	**263,982**	**297,963**	**357,769**	**386,948**	**379,920**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.

Source: Foreign Exchange Control Office.

Trade Policy

Import controls have been progressively eased under the programme of economic reform and trade liberalisation. Morocco replaced quota restrictions with tariff barriers to conform to the rules of the World Trade Organisation ("**WTO**"). Since May 1996, it has been possible to import virtually all products without restriction. In May 1992, Parliament passed a foreign trade law limiting the scope for Government intervention and simplifying customs regulations. Morocco has significantly reduced tariff barriers, from a previous high of a 400% maximum to a current maximum of 25%. The effective rate of customs duty was estimated at 2% in 2013.

The Kingdom has entered into free trade agreements with the United States and Turkey, as well as an association agreement with the European Union and the European Free Trade Association. Further tariff reductions have resulted and will continue to result from the implementation of WTO rules, the EU Association Agreement and the Free Trade Agreements with the United States and Turkey. These tariff reductions fall within Morocco's overall policy of economic liberalisation and closer economic relations with Europe and the United States. In March 2012, the EU-Morocco free trade area for industrial products came into effect, which marked the completion of tariff dismantling for such products.

In December 2011, the European Union adopted negotiating directives in respect of further free trade agreements with Morocco. In February 2012, the European Parliament consented to an agreement with Morocco setting out the general principles for participation in European Union programmes, including in the fields of competitiveness and innovation, freight transport, customs and air traffic control. In February 2012, the Kingdom also entered into a free trade agreement to increase certain quotas for zero or low duty agricultural and fish imports. This free trade agreement entered into effect in October 2012. In March 2013, negotiations for a deep and comprehensive free trade area were launched between Morocco and the European Union, which would extend beyond the scope of the EU Association Agreement. In August 2002, the Government eliminated the use of reference prices.

The Kingdom is a member of the Great Arab Free Trade Zone and has entered into bilateral free trade agreements with several Arab countries, including Tunisia, Jordan, Egypt and the United Arab Emirates. The Kingdom is currently negotiating a free trade agreement with Canada.

In May 2001, the Ministers of Foreign Affairs of Morocco, Tunisia, Egypt and Jordan meeting in Agadir, Morocco signed a joint declaration known as the "Agadir Declaration" in which they stated their objective of creating a common free trade zone amongst South-Mediterranean countries, which have entered into association agreements with the European Union. In February 2004, the "Agadir Agreement" established a free trade zone amongst Morocco, Tunisia, Egypt and Jordan. The "Agadir Agreement" entered into force in July 2006, following ratification by the four countries party to the agreement. Implementation of the "Agadir Agreement" began in March 2007.

See "*Description of the Kingdom of Morocco—International Relations*".

Balance of Payments

The following table sets forth Morocco's balance of payments for the periods indicated.

Balance of Payments(1)(2)

	2009	2010	2011	2012	2013(3)
			(U.S.$ millions)		
Trade balance					
Exports (fob)	13,973	17,760	21,645	21,423	21,960
Imports (cif)	(30,188)	(32,724)	(40,933)	(41,475)	(42,329)
Trade balance	(16,216)	(14,964)	(19,288)	(20,051)	(20,369)
Services balance	5,372	5,086	5,310	5,247	5,554
Incomes balance	(1,455)	(1,491)	(2,096)	(2237)	(1,771)
Transfers (net)	7,370	7,293	8,018	7,688	8,718
Current Account Balance	(4,930)	(4,075)	(8,057)	(9,576)	(7,868)
Capital Account	0	0	0	0	0
Financial Transactions Account					
Direct Investment (net)	1,476	984	2,391	2,322	3,017
Portfolio Investment (net)	(18)	89	(233)	109	219
Other Investments (net)	1,441	2,042	1,866	976	2,578
Financial Transactions Account	5,249	5,621	5,614	6,161	8,934
Net Errors and Omissions	(515)	(261)	(356)	(278)	332
Change in net international reserves	**64**	**1,405**	**(2,568)**	**(3,373)**	**658**
			(%)		
Trade balance/GDP	(17.9)	(16.6)	(19.4)	(24.4)	(22.4)
Current Account/GDP	(5.4)	(4.6)	(8.0)	(9.8)	(7.6)

Notes:
(1) Dh/U.S.$ average exchange rate calculated for each year.
(2) Certain line items and figures differ from previously published data due to on-going revisions.
(3) Preliminary data.

Source: Ministry of Economy and Finance.

Current Account

The trade deficit increased by Dh 44.3 billion, or 29.3%, over the period 2009-2013. Exports decreased by Dh 0.2 billion (increasing in U.S. Dollars as a result of movements in the Dirham to U.S. Dollar exchange rate), or 0.1%, in 2013, as compared to 2012. Exports of semi-finished products (including phosphate products) decreased by Dh 7.8 billion or 14.8%, and exports of raw materials of mineral origin, principally phosphate rock decreased by Dh 3.9 billion, or 21.0%. These decreases were partially offset by: (i) a Dh 4.4 billion, or 16.1%, increase in exports of finished industrial equipment; (ii) a Dh 3.4 billion, or 11.3%, increase in food exports; and (iii) a Dh 2.4 billion, or 5.4%, increase in consumer products exports.

Imports decreased by Dh 7.0 billion, or 1.8%, in 2013, as compared to 2012, primarily as a result of decreases in international energy prices and in food imports due, in part, to favourable climate conditions that resulted in a strong domestic crop. Energy and lubricant imports decreased by Dh 4.5 billion, or 4.2%, in 2013, primarily as a result of decreases in the average prices of refined petroleum and crude oil imports and despite a small increase in the volume of such products imported into the Kingdom. Food products imports decreased by Dh 6.1 billion, or 14.6%, in 2013 due to a 21.8% decrease in the quantities of food products imported into the Kingdom.

Imports of semi-finished goods increased by Dh 3.0 billion, or 3.9%, in 2013, as compared to 2012. Consumer goods imports decreased by Dh 1.5 billion, or 2.3%, in 2013, as compared to 2012, primarily as a result of a Dh 1.3 billion, or 12.5%, decrease in imports of passenger cars.

The Kingdom's current account deficit has fluctuated in recent years, but has generally increased during the period 2009-2013. In 2013, the current account deficit was 7.6% of GDP, as compared to 9.8% of GDP in 2012, 8.0% of GDP in 2011, 4.5% of GDP in 2010 and 5.4% of GDP in 2009. The current account balance registered an average surplus of 1.1% of GDP in the years 2001-2007.

See "*—Foreign Trade*".

Capital Account and Financial Transactions Account

The Kingdom's capital account and financial transactions account increased during the period 2009-2013, mainly due to foreign direct investment inflows, as well as an increase in public sector loans. The Kingdom's capital account and financial transactions account increased by 72.6% over the period 2009-2013, primarily due to the 112.6% increase in net foreign direct investment over the period, the 72.5% increase in net other investments and the 36.6% increase in public sector borrowing.

The Kingdom has taken steps to effect a progressive liberalisation of its capital account, including the implementation of the following measures:

- the removal of any restrictions on the transfer of capital used for investments in Morocco, as well as capital and profit repatriation;
- the authorisation for banks to maintain foreign currency deposits overseas and to grant Dirham-denominated loans to non-residents for purposes of financing real estate investments in the Kingdom;
- the development of options and swap instruments to cover interest rate and exchange risks, as well as for commodities;
- the authorisation for certain foreign entities to access the local capital markets; and
- the authorisation for Moroccan entities to invest abroad.

Foreign Direct Investment

Since 1990, foreign direct investment has been permitted in virtually all sectors of the economy. In 1995, a charter on foreign investment was adopted by Parliament. The charter's principal objective is to promote and encourage investment by, *inter alia*, granting tax exemptions to investors, reducing the corporate tax rate to 35%, developing tax free zones for exports and promoting free competition. The Government considers the promotion of foreign direct investment in Morocco essential to stimulate further economic growth and economic development.

In 2013, foreign direct investment was Dh 39.6 billion (or 4.5% of GDP), as compared to Dh 32.1 billion in 2012, an increase of Dh 7.4 billion, or 23.4%. This increase in foreign direct investment was mainly due to increased investment flows received from France, the United Kingdom, Germany, Switzerland and Luxembourg in 2013, partially offset by decreased flows from the United Arab Emirates, Spain and Portugal.

The Government has enacted a number of measures to protect foreign investment in Morocco; the Kingdom has entered into 63 agreements for the promotion and protection of foreign investment and 59 agreements for the avoidance of double taxation.

The Government is in the process of preparing a new investment charter for Morocco. This charter will be structured around two regimes: (i) a common regime; and (ii) a conventional regime. The conventional regime will be subdivided into a general conventional regime and a specific conventional regime, covering both a region-specific regime and a sectoral regime.

The following table sets forth the countries of origin of foreign direct investment in Morocco for the years indicated.

Foreign Investment by Country(1)

	2009	2010	2011	2012	2013(2)
			(Dh millions)		
France	12,958	20,492	8,927	12,247	14,584
United Arab Emirates	1,151	2,612	4,632	7,790	3,392
United States	734	634	1,065	1,864	1,684
Spain	1,542	1,898	1,719	1,588	1,111
Saudi Arabia	259	585	1,555	1,211	1,917
Switzerland	1,024	1,533	1,191	1,248	2,777
Netherlands	209	567	490	1,083	850
Great Britain	988	1,024	980	756	2,568
Qatar	98	205	95	539	392
Germany	711	654	686	557	1,313
Belgium	861	1,047	1,151	436	539
Luxembourg	141	54	127	296	1,874
Sweden	135	604	327	15	330
Italy	562	264	347	279	317
Mauritius	4	162	35	299	636
Tunisia	43	192	84	188	102
Kuwait	2,819	1,158	1,062	93	326
Lebanon	67	42	171	105	121
Bahrain	112	85	15	238	186
Canada	22	35	45	120	114
Portugal	59	53	76	218	60
Other countries	752	1,170	1,249	923	4,399
Total	**25,250**	**35,068**	**26,060**	**32,092**	**39,591**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.

Source: Office des Changes.

In 2013, the principal sectors that benefited from foreign investment were industry (38.7%), real estate (19.0%) and tourism (8.4%).

The following table sets forth foreign investment by sector in Morocco for the years indicated.

Foreign Investment by Sector(1)

	2009	2010	2011	2012	2013(2)
			(Dh millions)		
Industry	2,725	4,772	6,129	8,169	15,311
Real estate	5,555	7,268	8,119	7,332	7,518
Energy and mining	155	754	1,799	5,592	2,749
Holding	171	961	1,173	846	1,775
Banking	6,445	4,563	1,357	1,765	1,485
Tourism	2,873	4,059	2,565	1,680	3,330
Commercial trade	180	1,240	1,756	1,480	1,991
Public works	112	424	571	903	1,862
Transport	379	594	302	295	893
Education	11	67	17	54	231
Agriculture	26	61	92	86	300
Insurance	452	207	149	3	60
Fishing	1	21	20	2,095	118
Telecommunications	5,341	8,754	421	221	107
Other services	785	1,270	1,210	1,508	1,769
Other	40	1,628	168	65	92
Total	**25,250**	**35,068**	**26,060**	**32,092**	**39,591**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.

Source: Office des Changes.

Moroccan Investment Abroad

Moroccan investment abroad is focused primarily on investments in France, sub-Saharan Africa and, to a lesser extent, elsewhere. In 2013, the largest recipient country was Mali, although, since certain capital account liberalisation measures in December 2010, higher levels of investment have been also been made in sub-Saharan Africa than in previous years. See "*—Exchange Rates and Liberalisation of Exchange Regulations*". In 2013, Moroccans invested Dh 3.0 billion abroad, as compared to Dh 3.2 billion in 2012.

Remittances

The principal factors affecting remittances levels are: (i) the economic and other conditions in the host country; (ii) immigration policies in the host country; (iii) the investment climate in Morocco; and (iv) charges and commissions. The global financial and Eurozone crises have resulted in reduced remittances from MREs. Remittances from the Eurozone accounted for approximately 70% of the total remittances from MREs in 2013.

The Government has taken a number of measures to encourage the flow of remittances from MREs into the Kingdom, including reducing certain charges and commissions, following a 5.4% decline in remittances in 2009.

The following table sets forth information about remittances by country for the years indicated.

Remittances by Country[(1)]

	2009	2010	2011	2012	2013
			(Dh millions)		
France	20,228	22,314	23,876	22,398	21,443
Italy	6,014	5,801	6,647	5,909	5,638
Spain	5,941	5,948	5,664	5,290	5,038
United Arab Emirates	2,311	2,826	3,043	3,646	3,806
Belgium	3,128	3,099	3,193	3,310	3,137
United States	2,514	2,292	2,495	3,201	3,239
Saudi Arabia	1,278	1,825	2,428	3,045	3,202
Germany	2,202	2,175	2,364	2,163	2,162
Netherlands	2,086	2,294	2,106	1,846	1,788
Great Britain	1,748	1,732	1,242	1,439	1,321
Switzerland	703	880	1,015	935	939
Libya	6	73	29	419	468
Denmark	132	116	181	166	178
Sweden	89	125	144	147	179
Other countries	1,833	2,888	3,958	4,836	5,312
Total	**50,211**	**54,387**	**58,385**	**58,751**	**57,850**

Note:
(1) Certain line items and figures differ from previously published data due to on-going revisions.

Moroccan Investment Development Agency

The Moroccan Investment Development Agency ("**MIDA**") was established in 2009 and is a financially autonomous public institution under the Ministry of Industry, Trade and New Technologies charged with the investment, development and promotion of Morocco. MIDA aims to promote investment and provide guidance to investors through: (i) informing investors of investment opportunities and the regulatory framework for investment in Morocco; (ii) assisting investors pursuing investment; (iii) facilitating contacts between investors and local and administrative partners; and (iv) helping investors benefit from the optimal environment for the development of their business.

Free Zones

Pursuant to Law № 19-94, adopted in 1995, the Kingdom has established a number of export processing zones. These zones are authorised and exempted from customs regulations, foreign trade and exchange control, all industrial and commercial export activities as well as linked service activities. Each zone is established by decree, which sets out the nature and range of permitted activities of companies that may operate in the zone. Morocco has established export processing zones in Tangier and Kenitra and free zones in Tanger-Med, Casablanca, Ksar el Majaz, Mellousa (1 and 2), Dakhla and Laayoune, as well as a free storage zone for hydrocarbons in Kebdana and Nador.

Casablanca Finance City

In 2010, Parliament passed Law № 44-10 to establish the Casablanca Finance City (the "**CFC**"). The CFC is a project to attract additional foreign investors and establish Casablanca as a regional financial centre and hub for financial institutions, multinational companies and professional services providers. The Moroccan Financial Board, a public-private initiative established in 2010, is responsible for overseeing the development, promotion and management of the CFC. To date, three finance companies, 28 professional services companies and 12 regional headquarters have been granted permission to operate in the CFC.

Companies operating in the CFC, as well as employees working in the CFC, benefit from certain tax incentives. Companies operating in the CFC are also subject to lighter capital and administrative requirements. The Moroccan Financial Board has entered into a memorandum of understanding with the Singapore Co-operation Enterprise to assist with the strategic development and promotion of the CFC. In May 2012, the Moroccan Financial Board also entered into a co-operation agreement with CityUK in order to develop the securities and derivative markets in the CFC, boost education and training in the financial services sector and build an insurance and reinsurance sector targeting the wider African market. In addition, in April 2013, the Moroccan Financial Board entered into co-operation agreement with Paris EUROPLACE in order to promote and develop links between Moroccan and French finance professionals.

MONETARY AND FINANCIAL SYSTEM

Overview

Until 2005, banking activities in Morocco were regulated under the former banking law, the *Loi relative à l'exercice de l'activité des établissements de crédit et de leur contrôle* of 6 July 1993, which placed the supervision and control of the Moroccan banking system in the hands of Bank Al-Maghrib and of the Ministry of Economy and Finance, together with a number of consultative bodies. On 14 February 2006, Law № 34-03 (*Loi relative aux établissements de crédit et organismes assimilés*) (the "**Banking Law**") abrogated the 6 July 1993 law and introduced a number of reforms, including strengthening the supervisory powers of Bank Al-Maghrib, extending the application of the Banking Law to all institutions engaged in banking and financial activities, increasing depositors' and borrowers' protections and redefining the roles of a number of consultative bodies, including the National Monetary and Savings Council. On 2 March 2006, Law № 76-03 was published in the *Official Gazette*, promulgating a new charter for Bank Al-Maghrib and granting it a large degree of autonomy.

In February 2014, a new draft banking law was submitted to Parliament. If adopted, the new law would grant Bank Al-Maghrib supervisory authority over financial groups and increase Bank Al-Maghrib's powers over the microfinance sector and alternative payment systems. The draft law introduces Islamic banking under the names of participative banks, which would allow the sector to expand its product offering (including Murabaha, Musharaka, Ijara and Mudaraba products) and access a new range of customers. The draft law also contains provisions related to the encouragement of savings and increasing the population's access to bank accounts.

The Moroccan banking system has historically been open to foreign investment, and seven of the 19 Moroccan banks have significant foreign shareholdings. Moreover, applicable banking legislation makes no distinction between the operations and access to the market in Morocco of domestic and foreign banks, provided that the relevant approvals are in place. As a result, as at 31 December 2013, 19.5% of deposits and 17.8% of assets in the Moroccan banking system were controlled by banks with majority foreign ownership, according to statistics published by Bank Al-Maghrib.

Bank Al-Maghrib and the Moroccan Banking System

Bank Al-Maghrib was established in 1959. Its responsibilities and powers include: (i) the exclusive power to issue banknotes in Morocco; (ii) the control and management of the foreign currency reserves of Morocco; (iii) the power to formulate and implement monetary policy; (iv) the authority to supervise the operations and financial condition of Moroccan banks and financing companies, including through the establishment of capital adequacy, credit ratios and liquidity coefficients; and (v) the authority to oversee payment systems in Morocco. The Governor of the Bank Al-Maghrib, who is not appointed for any fixed term, is the head of the Bank Al-Maghrib.

Law № 76-03 introduced the following principal amendments:

- It increased Bank Al-Maghrib's autonomy by, among other measures, making the maintenance of price stability its primary objective and creating an independent board of directors, whose members must include professionals known for their competence in financial or economic matters and who may not be removed prior to the expiration of their respective terms except for cause. The Director of the Treasury is a member of the board of directors but has no vote on monetary policy decisions.

- It restricted the Treasury from borrowing from Bank Al-Maghrib, except in exceptional circumstances and within statutorily-prescribed limits.

- It mandated the withdrawal of Bank Al-Maghrib from the capital and representation on the boards of directors of various financial institutions in order to eliminate potential conflicts with Bank Al- Maghrib's supervisory authority over such institutions.

Bank Al-Maghrib has a variety of monetary policy instruments available to it, including the imposition on commercial banks of interest-bearing reserve requirements, auction and repurchase agreements, open market operations and foreign exchange swaps.

The following table sets forth the balance sheet for Bank Al-Maghrib as at the dates indicated.

Bank Al-Maghrib Balance Sheet

	As at 31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(Dh millions)		
ASSETS					
Gold	6,153	8,353	9,572	9,946	6,041
Foreign currency and investments in foreign currencies	172,318	181,863	161,266	134,368	145,944
Assets with international financial organisations	7,304	7,564	6,668	5,143	4,510
Claims on Moroccan credit institutions	17,034	7,097	39,330	69,287	72,117
Other assets	13,223	9,081	7,059	7,533	7,162
Fixed assets	2,796	2,921	3,183	3,577	3,498
Total Assets	**218,831**	**216,880**	**227,077**	**229,854**	**240,172**
LIABILITIES					
Banknotes and coins in circulation	143,139	152,059	166,253	172,493	182,080
Liabilities in gold and foreign currencies	2,895	3,099	3,451	3,380	7,335
Liabilities in convertible Dirhams	210	202	212	222	200
Deposits and liabilities in Dirhams	44,261	33,877	29,566	26,998	26,978
Other liabilities	15,894	14,883	14,66	12,422	9,824
SDR allocations	6,918	7,225	7,393	7,277	7,047
Capital, reserves and other	5,513	5,533	5,534	5,534	5,537
Net income for the year	—	—	—	1,527	1,173
Total Liabilities	**218,831.2**	**216,880**	**227,077**	**229,854**	**240,172**

Source: Bank Al-Maghrib.

In addition to Bank Al-Maghrib and the CDG, Morocco's financial system principally comprises 19 commercial banks, six commercial banks in the offshore banking centre of Tangier, 18 insurance companies, 17 consumer credit companies, 294 mutual funds, 35 financing companies, including six leasing companies and 17 brokerage houses authorised to operate on the CSE, 13 microfinance associations and nine cash transfer intermediation companies.

The following table sets forth the aggregate financial position of commercial banks operating in Morocco as at the dates indicated.

Aggregate Financial Position of Commercial Banks in Morocco[(1)(2)]

	As at 31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(Dh millions)		
ASSETS					
Cash values (central bank, public treasury and postal checks service)	68,157.9	60,040.5	33,708.3	28,484.7	29,967.6
Claims on credit institutions	108,169.3	99,743.5	113,760.6	110,938.6	120,135.7
Loans	499,329.8	552,558.4	613,938.8	649,704.1	665,692.8
Factoring claims	1,066.0	1,063.4	3,452.3	6,667.2	4,758.1
Securities	94,415.4	88,779.0	116,733.6	147,179.6	159,730.9
Other assets	11,166.0	11,560.0	13,846.0	15,693.9	15,767.0
Investment securities	28,389.4	25,476.4	25,471.4	29,116.1	43,621.4
Shareholdings and similar assets	25,553.7	26,606.8	28,893.1	30,494.6	31,709.2
Subordinated claims	1,294.6	1,357.0	1,355.6	1,356.2	1,357.6
Leases and lettings	302.3	550.4	695.8	819.9	1,485.5
Intangible assets	3,648.6	3,889.2	4,326.9	4,652.9	4,827.8
Tangible assets	13,030.7	13,790.9	14,753.0	15,547.5	16,058.5
Total Assets	**854,523.8**	**885,616.0**	**970,935.3**	**1,040,648.4**	**1,095,112.1**
LIABILITIES AND CAPITAL					
Central banks, public treasury and postal checks service	0.007	0.1	1.2	0.0	0.0
Obligations to credit institutions and similar	62,742.2	59,226.1	90,150.9	119,591.6	129,882.0
Customer deposits	626,628.3	647,852.4	677,248.1	696,640.1	722,252.7
Debt securities	36,476.5	48,472.0	62,707.7	66,841.3	66,589.7
Other liabilities	32,660.4	23,410.2	26,363.5	30,888.8	40,656.3
Provisions for losses and expenses	2,953.9	3,129.4	4,357.7	5,932.1	7,921.7
Legal Provisions	432.6	—	—	—	0.0
Subsidies, assigned public funds and special guarantee funds	2,925.2	4,174.5	3,050.4	2,817.3	2,576.9
Subordinated debts	19,353.7	20,073.9	21,610.4	22,724.8	23,254.2
Revaluation differential	361.8	0.4	0.4	409.8	409.8
Reserves and share premiums	41,306.5	48,225.2	51,732,3	59,269.4	63,524.4
Capital	19,117.6	20,073.9	21,531.2	22,585.3	24,205.9
Non-paid up capital	—	(77.0)	(48.0)	(340.0)	(340.0)
Retained Earnings	322.4	1,267.3	2,173.0	3,404.2	4,257.5
Before allocation of net profit	25.0	(5.3)	(3.6)	(6.8)	7.0
Net profit	9,217.8	9,719.0	10,060.1	9,890.5	9,913.9
Total Liabilities	**854,523.8**	**885,616.0**	**970,935.3**	**1,040,648.4**	**1,095,112.1**

Notes:
(1) Certain line items and figures differ from those previously published as a result of on-going revisions.
(2) Figures include Al-Barid Bank (the post bank).

Source: Bank Al-Maghrib.

Government Stakes in Banks

The Government owns stakes in three banks: (i) it indirectly controls 71% of the share capital of *Crédit Immobilier et Hôtelier* ("**CIH**") (which primarily provides credit in the housing sector); (ii) it directly and indirectly controls 85% of the share capital of *Crédit Agricole du Maroc* ("**CAM**") (which primarily provides credit to the agricultural sector); and (iii) it indirectly controls 14.0% of the share capital of BCP (one share directly) (which is a full-service bank and focuses on financing of small- and medium-sized businesses and providing banking services to MREs). Two other financial institutions are 100% owned by the Government: CDG (which administers public sector funds) and Al-Barid Bank (the Post Bank) (which is a national savings institution).

In order to increase access to banking services and leverage the Post Office's nationwide network, the Government opened Al-Barid Bank on 8 June 2010, (which was been granted a banking license by Bank Al-Maghrib in 2009). Al-Barid Bank aims to facilitate access to banking for all Moroccans, particularly those in lower income categories. To further this aim, Al-Barid Bank's stated objective is to have six million customers (from an estimated four million current customers) by 2016.

Prudential Requirements

There has been a continuing reform and modernisation programme of prudential requirements, which has accelerated in recent years in order to meet the capital adequacy ratio requirements set forth in Basel II and Basel III. According to Bank Al-Maghrib, Moroccan banks comply with Basel II capital adequacy ratio requirements, which became mandatory since June 2007. The capital adequacy ratio, which was 8% until 2007, was increased to 10% in 2008 and 12% in 2012, with effect from June 2013, of which 9% must consist of Tier 1 capital. The most recent increase is intended to help prepare Moroccan banks for Basel III. Bank Al-Maghrib issued a circular in August 2013 adopting Basel III standards and a timetable for their gradual implementation, in line with the recommendations of the Basel III committee.

As set out in Bank Al-Maghrib Circular № 31/G/2006, banks are required to comply with a minimum liquidity ratio requiring the maintenance of sufficient available assets and short-term investments to cover 100% of their liabilities and short-term obligations. In August 2013, Bank Al-Maghrib issued Circular № 15/G/2013 establishing the provisions of a Liquidity Coverage Ratio (LCR) in line with the recommendations of the Basel III committee. The Minister of Finance's approval of this circular is currently awaiting publication in the Official Journal.

The risk ratio for lending to any one borrower or group of borrowers, which was set at 7% of shareholders equity in 1992, was increased to 10% in 1996 and to 20% in 2000. Banks are also required to ensure that their total risk exposure to any one borrower or group of borrowers does not exceed 20%. Consumer credit companies must also maintain a minimum capitalisation of Dh 50 million (increased from Dh 20 million in 2011).

Banking System Deregulation

Since the 1990s, Bank Al-Maghrib has implemented reforms aimed at improving the effectiveness of the banking sector in promoting savings and allocating financial resources. These reforms include the phasing out of banks' mandatory holdings and the full liberalisation of interest rates, which resulted in increased competition between banks. As a result, lending rates have generally decreased in recent years and were on average 6.23% in December 2013. Financial intermediation has been strengthened as the credit and monetary aggregate (M3) to GDP ratios reached 85% and 117% in 2013, respectively. The rate of increase in the money supply increased from 4.2% in 2010 to 6.4% in 2011 but declined to 4.5% in 2012 and 2.8% in 2013. See "*—Monetary Policy and Money Supply*". Also, Morocco's commercial banks are subject to increased competition from foreign banks, and customers may access non-bank financial instruments through the CSE and money-market instruments, such as treasury bonds and commercial paper.

Reserve Requirements

A legal reserve requirement for banks of up to 2% of demand deposits exists (except for deposits in accounts denominated in foreign currencies or in convertible Dirhams). This reserve requirement was set at 10% from 1992 until the end of 2002 when it was increased to 14% and then to 16.5% in September 2003 in order to absorb excess liquidity in the banking system, before being lowered five times, as a result of the global financial crisis, between January 2008 and 1 April 2010, when it was set at 6%. In April 2011, the reserve requirement was abolished for certain savings accounts. In September 2012, the reserve requirement ratio was reduced to 4% and then to 2% in March 2014. Since February 1996, interest rates on loans have been freely negotiable. Banks are now simply required to publish a prime lending rate. In addition, a foreign exchange market was established in June 1996. Under this regime, banks have been authorised to conduct foreign currency transactions among themselves and with their clients in Dirhams or any other convertible currency.

Non-performing Loans

Banks are required to classify non-performing loans according to risk criteria in three categories, which were defined in a 1993 Bank Al-Maghrib Circular, as amended in 2002: pre-doubtful claims, doubtful claims and compromised claims, and to cover them by provisions of 20%, 50% and 100%, respectively. As at 31 December 2013, non-performing loans amounted to Dh 44.4 billion, as compared to Dh 36.2 billion as at 31 December 2012, an increase of Dh 8.2 billion, or 22.5%. Non-performing loans represented 5.9% of total outstanding credit granted by all banks in 2013 and 5.0% in 2012. Non-performing loans cover was 64% in 2013, as compared to 68% in 2012.

Treatment of Financial Institutions in Difficulty

The Banking Law provides a procedure for the treatment of financial institutions in difficulty, which departs from normal procedures of conciliatory settlement and rehabilitation, as provided in the Moroccan Commercial Code. If a financial institution is not in compliance with administrative provisions or the Banking Law, or is otherwise in financial difficulty, the Governor of Bank Al-Maghrib may nominate an interim administrator to prepare a report outlining the nature, origin and seriousness of the institution's difficulties, as well as the measures likely to ensure its rehabilitation, its partial or total disposal, or its liquidation. In the event of a court-ordered winding-up of the financial institution, the Governor of Bank Al-Maghrib will nominate liquidators. During the liquidation period, the institution in question will remain under the control of Bank Al-Maghrib.

The Government does not have a specific policy for intervening in financial institutions in difficulty. Any such intervention would be considered a last resort according to an agreement in respect of the management of financial crises signed by the Government, Bank Al-Maghrib and the *Conseil Déontologique des Valeurs Mobilières* ("**CDVM**") in June 2012.

A working group of representatives from the same parties are also collaborating on a project to reform and clarify the law applicable to the deposit insurance scheme in the Kingdom.

Anti-Money Laundering

In 2003, Law № 03-03 relating to the fight against terrorism was enacted, which established a framework for the criminalisation of terrorist financing and methods for the seizure of goods used in terrorist activities. This was supplemented by Law № 43-05 relating to anti-money laundering, which criminalised money-laundering activities, established sanctions for such activities and introduced measures for the prevention of anti-money laundering in Morocco. In addition, in 2008, the Financial Intelligence Processing Unit (*l'Unité de Traitement du Renseignement Financier*) (the "**FIPU**") was established as a monitoring body by Decree № 2-08-572.

The Financial Action Task Force (*le Groupe d'Action Financière Internationale*) ("**FATF**") evaluated the Kingdom's anti-money laundering ("**AML**") legislation in 2007, following which the Government implemented the following measures to address certain concerns raised by the FATF:

- the adoption of Law № 13-10, which modified the penal code, and Law № 43-05 to combat money laundering and define money laundering activities and terrorist financing activities. The legislation criminalised these activities and put in place a procedure to apply resolutions of the U.N. Security Council in Morocco. As a result, a number of rules and regulations applicable to financial institutions and markets were adopted;

- the introduction of measures by the FIPU to increase its operational efficiency and to share information with other institutions conducting similar investigations; and

- the membership by the FIPU of the Egmont Group of financial intelligence units from July 2011.

In June 2012, FATF noted the improvement in AML legislation in Morocco. It noted, however, a deficiency in a single area, namely a weakness in the penal code with respect to funding terrorist organisations and persons connected to terrorism. As a result, Parliament adopted Law № 145-12 in April 2013 (which was published in the *Official Gazette* on 2 May 2013), which is intended to bring Moroccan law in line with international standards with respect to money laundering and terrorist financing.

At a regional FATF meeting held in Khartoum, Sudan from 28 April-2 May 2013, FATF noted this positive development. In a press release dated 18 October 2013 following plenary sessions held in Paris, FATF welcomed Morocco's "significant progress" in improving its AML regime and noted the establishment by Morocco of a legal and regulatory framework to meet its commitments in its action plan. As a result, FATF stated that Morocco is "no longer subject to FATF's monitoring process" under its on-going global AML compliance process.

Restructuring of Public Financing Institutions

Crédit Immobilier et Hôtelier

CIH was created in 1967 as a specialised finance institution for the financing of real estate activities in the tourism sector, before being transformed into a commercial bank in 1986. CIH's financial difficulties following the first Gulf War led to a restructuring plan being put in place by the monetary authorities, CIH and the main shareholders for the period 2000-2006. CIH's financial situation has now stabilised, following the implementation of a number of steps, including a capital increase of Dh 1.85 billion, the provisioning of non-performing loans, the improvement of risk management systems and the introduction of new strategic investors. Until January 2012, *Caisse Nationale des Caisses d'Epargne* (a French bank) and CDG jointly-controlled CIH through their joint venture company, Massira Capital Management. In January 2012, *Caisse Nationale des Caisses d'Epargne* sold its 23% equity share in Massira Capital

Management to CDG. As at the date of this Prospectus, the Government owns an indirect 71% equity stake in CIH via CDG.

Crédit Agricole du Maroc

CNCA was created in 1961 as a public entity with the objective of financing the agricultural sector. As a result of variations in climatic conditions, CNCA experienced financial difficulties between 1998 and 2000, which led to a restructuring plan established by the Government in 2000 pursuant to which CNCA received a Dh 1.2 billion capital injection from the Government and loans of Dh 9 billion owed by customers to CNCA were rescheduled. Following the enactment in 2003 of a law relating to the restructuring of CAM (the new name of the former CNCA), CAM implemented a reform program, including: (i) a restructuring of CAM, including transforming the bank into a *société anonyme* with boards of directors and trustees and restructuring the management of the bank; (ii) the integration of the business of BMAO into CAM; and (iii) the adoption of a contract programme with the Government, "CAP2008", which improved CAM's performance and financial strength. The business of CAM has been refocused on four principal economic sectors, in particular small- and medium-sized agro-businesses and food production. CAM is now in compliance with applicable BAM ratios.

A Dh 1 billion recapitalisation programme for CAM was completed over the 2006-2008 period. In December 2009, CAM stockholders subscribed for Dh 700 million in additional shares of CAM to further improve its financial condition so that it complies with the applicable Cooke ratio. The Government subscribed for Dh 300 million, which resulted in an overall reduction in the percentage shareholding of the Government in CAM. In 2011, CAM stockholders subscribed for a further Dh 900 million; the Government's share was Dh 680 million.

Monetary Policy and Money Supply

As stated in Law № 76-03, the prime objective of the Kingdom's monetary policy is price stability. Accordingly in 2006, Bank Al-Maghrib established a new strategic and analytical framework, as well as a new forecasting mechanism, to detect inflationary pressures.

During the period 1999-2006, the Kingdom's monetary policy was affected by a surplus of liquidity, however, since 2007, Bank Al-Maghrib has been injecting liquidity into the Moroccan money market as liquidity in the banking system has declined, and such liquidity injections approximately doubled in 2012, as compared to 2011, and have since stabilised.

The reserve requirements, which were 16.5% in 2003, have been lowered several times since January 2008 and was reduced to 2% in March 2014. As a result of previous liquidity surpluses and the current monetary policy of Bank Al-Maghrib, combined with general growth in the domestic economy, the money supply has significantly expanded since the beginning of 2007, although the expansion of money supply has slowed since 2009.

The following table sets forth information regarding percentage increases in the monetary base and money supply as at the dates indicated.

Counterparts and Money Supply[(1)]

	As at 31 December				
	2009	**2010**	**2011**	**2012**	**2013**[(2)]
			(Dh millions)		
Money aggregates					
M1	525,380	549,478	586,777	612,163	625,658
Currency outside banks	*136,664*	*144,660*	*158,288*	*163,641*	*171,604*
Demand deposit	*388,716*	*404,818*	*428,489*	*448,521*	*454,054*
M1 (*% change*)	7.5	4.6	6.8	4.3	2.2
M2	612,715	643,504	689,692	723,519	746,320
Sight investment	*87,336*	*94,026*	*102,914*	*111,357*	*120,662*
M2 (*% change*)	7.7	5.0	7.2	4.9	3.2
M3	855,955	891,866	949,287	992,176	1,020,401
Time investment	*143,226*	*148,157*	*147,825*	*146,485*	*153,144*
M3 (*% change*)	7.0	4.2	6.4	4.5	2.8
Net international reserves	182,774	194,605	173,843	144,736	150,267
Net claims on central government	87,797	81,218	102,143	125,402	149,058
Claims on other sectors	644,157	715,247	789,826	829,964	855,673
Counterpart of deposits with the Treasury	48,529	49,128	45,109	48,898	42,250
Resources of a non-monetary nature	123,917	130,645	144,318	154,357	157,851
Other items (net)	43,894	31,440	27,792	46,432	23,253

Notes:

(1) Certain line items and figures differ from those previously published as a result of the implementation of the *IMF 2000 Monetary and Financial Statistics Manual*, as well as ongoing revisions.

(2) Preliminary data.

Sources: Bank Al-Maghrib and Ministry of Economy and Finance.

The money supply grew in 2013, with M1 increasing by 2.2% in 2013 to Dh 625.7 billion, as at 31 December 2013, M2 by 3.2% to Dh 746.3 billion and M3 by 2.8% to Dh 1,020.4 billion.

The following table sets forth key money market rates as at 31 December for each year indicated.

Money Market Rates[(1)]

	2009	**2010**	**2011**	**2012**	**2013**
			(% per annum)		
Time accounts and fixed-term bills					
6-month deposits	3.32	3.37	3.36	3.51	3.71
12-month deposits	3.66	3.85	3.89	3.87	3.99
Saving book accounts	3.11	3.11	2.96	3.04	3.74
Saving books (National Savings Fund)	1.90	1.80	1.85	2.13	2.00
Lending rate[(2)]	6.56	6.17	6.65	6.20	6.52
Interbank Rate	3.35	3.28	3.28	3.13	3.13
Bank Al-Maghrib					
7-day advances	3.25	3.25	3.25	3.00	3.00
24-hour advances	4.25	4.25	4.25	4.00	4.00
Liquidity withdrawals	2.75	2.75	2.75	2.50	2.50
24 hour deposit facility	2.25	2.25	2.25	2.00	2.00

Notes:

(1) Excluding treasury bonds issued by auction.

(2) Weighted averages of effective lending rates at year end.

Sources: Bank Al-Maghrib.

Bank Al-Maghrib reduced its principal rates by 0.25% in March 2009 in the absence of inflationary pressure to stimulate economic growth in the context of the global financial crisis. In March 2012, the Bank reduced such rates by a further 0.25%, to a headline rate of 3.00%.

Inflation

Although the Kingdom experienced significant periods of high inflation in the 1970s, inflation rates generally declined throughout the 1980s and 1990s. The Kingdom's monetary policy over recent years, among other factors, has had the effect of limiting inflation to under 2.0%. The annual inflation rate decreased from an average of 3.4% for the period 1993-1999 to an average of 1.8% for the period 2000-2006 and an average of 1.2% for the period 2009-2013.

In 2013, inflation, as measured by the Consumer Price Index increased to 1.9%, as compared to 1.3% in 2012, due primarily to a 3.3% increase in food prices.

The following table sets forth trends in prices for the years indicated.

Prices(1)

	2009	2010	2011	2012	2013
	(% rate of increase)				
CPI(2)	1.0	0.9	0.9	1.3	1.9
Core inflation	0.7	0.4	1.8	0.8	1.5
Production Price Index(3)					
Extractive industries	—	—	0.2	0.1	0.1
Manufacturing industries	—	—	10.6	2.9	(1.9)
Electricity, gas and water	—	—	0.0	0.0	0.0

Notes:

(1) Certain line items and figures differ from those previously published as a result of on-going revisions

(2) Period average to period average. Index based upon prices of 478 items in 17 urban areas.

(3) Base 100 in 2010, accordingly figures for 2009 and 2010 are not available.

Source: Bank Al-Maghrib and the Government Statistics Directorate.

Price Controls

Despite liberalisation in 2001, a number of products remain subject to price controls in the Kingdom. Law № 06-99 created two categories of products subject to price controls: (i) essential items, such as flour, medical products and services, mass transit and certain educational products; and (ii) items produced by monopolies, such as electricity and energy, water, sugar and tobacco. Prices for these items are fixed by the Head of Government. Products subject to price controls also benefit from Government compensation (*i.e.,* subsidies). See "*Public Finance*".

Exchange Rates and Liberalisation of Exchange Regulations

Until 1973, the Dirham was pegged to the French Franc. In 1973, the exchange rate became based on a basket of foreign currencies of Morocco's principal trading partners. In 1990, the basket was further modified to give greater weight to European currencies, which in 1999 were replaced by the Euro. On 25 April 2001, a decision was adopted by the Government and Bank Al-Maghrib to increase the Euro weighting in the currency basket against which Bank Al-Maghrib sets daily rates for the Dirham, with a view to securing a better correlation between the Dirham and the Euro. This readjustment led to a depreciation of 5% of the Dirham. The adjustment aims at ensuring that the Dirham becomes less sensitive to the fluctuations of the Euro relative to the U.S. Dollar. Since 2001, the composition of the basket has been 80% Euros and 20% U.S. Dollars. See "*Risk Factors—Risks Relating to the Kingdom—Net International Reserves*".

Prior to 1996, all foreign exchange transactions had to be centralised and settled on a daily basis with Bank Al-Maghrib. In 1996, Bank Al-Maghrib announced a new central rate set daily for the Dirham against the basket of foreign currencies. Banks were allowed to quote buy-and-sell rates for the Moroccan Dirham within the limits of a band of plus or minus 0.3% of the central rate. Moroccan banks were permitted to take forward positions for operations linked to trade finance (up to 90 days) or bona fide external finance (not exceeding one year, extended to five years in 2007). Since March 2002, banks have been authorised to extend the period during which they are authorised to provide foreign exchange cover for their trade customers from three months to one year. Since 1999, banks have been subject to global foreign exchange position limits of 20% of capital for all currency and 10% of capital in any single currency.

Since 1992, Morocco has been liberalising the transfer of capital and the transfer of income from foreign investments (direct investment, portfolios, treasury bonds), which may currently be transferred without restriction, subject to the fulfilment of certain conditions. In June 1993, in order to encourage the private sector to directly access the international money markets to finance commercial and investment transactions, Morocco liberalised foreign borrowings. In November 1993 exporters of goods and services and Moroccan residents abroad were authorised to open foreign currency accounts with Moroccan banks. Since July 1995, export accounts can be credited with up to 20% of repatriated currency. In January 1997 Morocco authorised banks to trade spot transactions with foreign banks. Since May 2002, banks have been authorised to place deposits in foreign currency with correspondent banks outside Morocco and to acquire foreign securities.

In 2007, the Government adopted a series of reforms designed to further liberalise the foreign exchange market. These measures included permitting insurance and reinsurance companies and pension institutions to make investments abroad within limits of 5% of their assets and 5% of their reserves, and mutual funds within a limit of 10% of their portfolios without prior authorisation. Since 2010, Moroccan companies that have been in existence for at least three years are allowed to invest up to Dh 100 million in Africa and up to Dh 50 millions elsewhere without prior authorisation and to enter into a broadened range of hedging instruments and currency swap contracts. In addition, the maximum permitted duration of banks' investments made in foreign currencies with foreign counterparts has been increased from two to five years and, since 2010, export accounts may be credited up to 70% in repatriated currency.

Foreign Assets

The following table sets forth Bank Al-Maghrib's net foreign assets as at 31 December for each year indicated.

Net Foreign Assets

	As at 31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(U.S.$ millions)		
Convertible Currencies	21,922.5	21,762.0	18,801.6	15,812.3	17,917.6
Gold	782.8	999.5	1,115.9	1,179.4	851.6
IMF Special Drawing Rights	763.3	742.6	616.3	435.0	377.9
Other	184.3	147.5	147.1	144.9	146.0
Gross Foreign Assets	**23,652.9**	**23,651.6**	**20,681.0**	**17,571.5**	**19,293.2**
Less Liabilities	1,210.9	1,194.5	1,241.5	1,241.6	1,687.5
Net Foreign Assets	**22,442.0**	**22,457.1**	**19,439.5**	**16,330.0**	**17,605.7**
Net International Reserves (*months of imports*)(1)(2)	7.3	6.9	5.2	4.1	4.3

Notes:
(1) Imports of goods and non-factor services.
(2) Net international reserves represented 4.7 months of imports as at 16 May 2014.

Source: Bank Al-Maghrib.

As at 31 December 2013, net foreign assets were U.S.$17.6 billion, representing an increase of 7.8%, as compared to as at 31 December 2012.

Bank Al-Maghrib's foreign reserves are not subject to any security interest or other encumbrances.

See "*Risk Factors—Risks Relating to the Kingdom—Net International Reserves*".

Capital Markets

Although the Casablanca Stock Exchange was established in 1967, rapid growth in market capitalisation and trading volumes on the CSE only began in 1993 after the privatisation programme commenced and new laws were passed to restructure the regulatory framework of Morocco's capital markets.

The Stock Exchange Law of 21 September 1993 transformed the CSE from a government-run entity into a private entity, owned by its registered brokerage firms. It requires brokerage firms to be independent. It also requires brokerage firms to be certified by the Ministry of Economy and Finance, after consultation with the CDVM, the regulator, and to maintain minimum capital levels. This law was amended in 1996, 2000, 2004 and 2007, extending the range of financial instruments traded on the CSE to mortgage-backed securities and venture capital securities, and facilitating cross listing of domestic companies. The CDVM was established to regulate the securities market and the disclosure of information by entities listed on the CSE. Three laws enacted in 2004, 2006 and 2007 extended the CDVM's regulatory authority to all market participants, including the CSE and the central depositary (Maroclear) and provided the CDVM with free access to any confidential information to implement its supervisory mission.

Pursuant to Law № 43-12, adopted by the Moroccan government in April 2012 and published in April 2013, the CDVM will be transformed into the Moroccan Capital Markets Authority (*l'Autorité Marocaine du Marché des Capitaux* or the "**AMMC**") following the publication of implementing regulations. Although the primary functions of the CDVM will remain with the AMMC, the law increases the accountability of the AMMC and expands the role of the institution, which includes overall responsibility for Morocco's capital markets. The AMMC will be monitored by a government auditor, and the Ministry of Economy and Finance will approve the AMMC's circulars. The AMMC will also be subject to the Government Accounting Authority and shall provide annual reporting on its activities and the capital markets to the Head of Government.

In March 1997, the CSE introduced electronic quotation. Currently, all shares are traded electronically. In 2002, the CSE also introduced a separate listing for small cap companies.

In July 1997, Law № 35-96 (as amended by Law № 43-02 of 21 April 2004) established Maroclear, the Moroccan central depository of securities, which enabled the dematerialisation of securities and introduced a book-entry transfer system.

In order to support the further development of the capital markets in Morocco, the Government is continuing to strengthen the legal framework of the Moroccan capital markets in order to enforce transparency standards and promote further market integration. In this respect, the Government has taken steps to: (i) increase the independence of the CDVM; (ii) introduce an organised derivatives market; (iii) encourage the development of new financial instruments; (iv) and strengthen the governance of the CSE, including through permitting new shareholders to invest in the capital of the CSE. In addition, a private and public sector partnership strategy to promote the Moroccan capital market is being implemented.

The CSE's market capitalisation as at 31 December 2013 was Dh 451.1 billion, as compared to Dh 445.3 billion, as at 31 December 2012. In 2010, the following companies conducted initial public offerings: Ennakl Automobiles, a Tunisian distributor and dealer of cars (Volkswagen, Audi, Seat and Porsche), and CNIA SAADA Assurance, an insurance firm. In 2011, the following companies conducted initial public offerings: STROC Industrie, an industrial maintenance company; Jet Alu Maroc SA, a construction firm; and Société Maghrébine de Monétique (S2M), a company specialising in computer software and services. In 2012, one company completed an IPO: Afric Industries SA, a construction materials specialist. In 2013, one company conducted an IPO: Taqa, the Abu Dhabi National Energy Company, listed 9.47% of its subsidiary, Jorf Lasfar Energy Company.

The following table sets forth certain stock exchange indicators as at 31 December for each year indicated.

Stock Exchange Indicators

	Market Capitalisation	**MASI Index**	
	(Dh billions)	*MASI*[(2)]	*(% change from previous year)*
2009	508.9	10,443.8	(4.9)
2010	579.0	12,665.2	21.3
2011	516.2	11,027.7	(12.9)
2012	445.3	9,359.2	(15.1)
2013	451.1	9,114.1	(2.6)

Note:

(1) The Moroccan All Shares Index (base 1,000: December 2001).

Source: Casablanca Stock Exchange.

In 1994, the preferential fiscal treatment of treasury bonds was eliminated, the maturity structure of treasury bonds simplified and tap issues were introduced to enhance market liquidity. Since 1995, the treasury has also broadened its investor base to include non-residents. The Government also introduced intermediaries (primary dealers) for treasury bond auctions to improve market liquidity.

The Government has also taken measures to broaden the private sector's access to capital in other ways. In 1996, a new law on negotiable debt instruments authorised banks, finance companies, and companies to issue fixed-rate bonds. By the end of 2013, there were approximately Dh 75.2 billion in outstanding principal amount of negotiable debt instruments consisting principally of certificates of deposit and instruments issued by finance companies, as compared to Dh 81.3 billion as at 31 December 2012. The 2013 figure represents 8.6% of GDP, as compared to 9.8% in 2012. The growth of collective investment funds is also playing an important role in mobilising savings.

In addition, in recent years, the Government has undertaken reforms in respect of its capital markets activities, including the following measures: authorising the Treasury to actively manage domestic debt through buybacks and exchanges; conducting Treasury bill auctions electronically; and establishing benchmarks and increasing liquidity in the secondary market. A strategy, to be implemented under a public and private sector partnership, has also been established in order to promote the Moroccan capital markets.

Mutual Funds

In 2013, total mutual funds' net assets were Dh 245.5 billion, an increase of 1.5%, as compared to Dh 241.9 billion in 2012.

The Mutual Funds Law of 21 September 1993, as amended, provides the regulatory framework and prudential rules for mutual funds, or *Organismes de Placement Collectif en Valeurs Mobilières* ("**OPCVM**"). Together, these laws seek to improve the level of transparency in the market place and foster investor confidence.

Subsequent reforms have been implemented in the period 2004-2006: a law on public offerings has been enacted establishing a legal framework for takeovers; and a law on repurchase agreements regulating repo operations and a law on venture capital have been enacted.

A law on securitisation was adopted in 2008, extending the scope of securitisation to other assets and submitting the asset backed funds to the control of the CDVM. This was amended in 2010 by Decree № 2-08-530, which provides, *inter alia*, that mutual funds licenses are granted by the Minister of Economy and Finance upon the recommendation of the CDVM.

The following table sets forth the change in net assets of OPCVMs by category as at 31 December for each year indicated.

Change in Net Assets of OPCVMs by Category

	2009		2010		2011		2012		2013	
	Number	Net assets	Number	Net assets	Number	Net Assets	Number	Net assets	Number	Net assets
					(Dh billions)					
Category										
OPCVM (Shares)	76	20.35	76	25.68	79	22.19	86	20.73	83	19.96
OPCVM (Bonds)...........	166	164.33	184	187.58	193	196.38	205	212.18	217	215.85
OPCVM (Diversified) ...	49	7.56	55	9.25	56	9.40	58	7.71	62	8.82
OPCVM (Contractual)...	3	0.47	5	2.34	5	1.50	11	1.23	11	0.91
Total................................	**294**	**193.41**	**320**	**221.15**	**333**	**229.47**	**360**	**241.85**	**373**	**245.54**

Source: Ministry of Economy and Finance.

PUBLIC FINANCE

General

The budget preparation and adoption processes are governed by relevant provisions of the 2011 Constitution, the *loi organique de finances of 26 November 1998* (the "**Finance Law**"), the annual budget laws and various implementing decrees. The Finance Law, an organic law, is currently being revised in order to bring the law in line with best international practice and the reforms introduced in the 2011 Constitution pursuant to general guidelines set out by the Council of Ministers. The aims of the draft law are to improve the efficiency and co-operation of public bodies with each other, increase the role of Parliament in the budget debate, improve transparency of the budgetary process, as well as improve administrative services provided to citizens by submitting public spending to a results-based test.

The budget consists of the general budget, the Treasury special accounts and autonomous state services (*Services de l'Etat Gérés de Manière Autonome*). The general budget consists of revenues and expenditures of the central Government. The accounts of state-owned entities, although recounted in the budget documentation, are not included in the budget. However, the general budget reflects capital transfers to and distributions received from state-owned institutions. The Hassan II Fund was consolidated with national accounts from the date of its establishment in 1999 until the end of 2001. During this initial period, the fund was in the form of a special account maintained by the Treasury. In 2002, the fund was granted a status equivalent to that of a public enterprise. In anticipation of the change of status, the Treasury transferred Dh 10 billion to the fund's account at Bank Al-Maghrib. This was recorded as capital expenditures in 2001. Privatisation proceeds in respect of all periods include proceeds to be allocated to the fund. Since 2002, privatisation proceeds transferred to the fund are no longer recorded as "capital expenditures". The Hassan II Fund receives 50% of the proceeds from privatisation; the remaining 50%, as of 2011, is allocated to the National Investment Support Fund. Both funds act autonomously in policy-making over their capital expenditure.

In 2001, the budget year was changed to a calendar year with a transitional budget for the period from July 2000 to December 2000. Budget preparation takes about eight months. Typically, before 1 May, the Minister of Economy and Finance submits to the Council of Government a report regarding the implementation of the budget for the current year and a summary of the proposed budget for the following fiscal year. Ministers are invited to submit proposals for revenues and expenditures of their ministries for the following fiscal year to the Minister of Economy and Finance, as well as proposals of provisions to be inserted in the draft budget. Following transmission of the proposed budget to the Council of Government, during the month of July, meetings of the Budgetary Commission of Parliament and other commissions involved are scheduled and preliminary discussions of the provisions of the draft budget take place. At least 70 days before the end of the year, the Council of Government submits the draft budget law to Parliament. Parliament may amend the Budget. On or before 31 December, Parliament generally adopts the new budget. In the event that Parliament does not adopt the new budget before 31 December, authorising decrees are issued by the Head of Government to ensure that public services are provided, and Government expenditures and Government receipts are made, in accordance with constitutional provisions.

During the period 1995-2006, the fiscal deficit was fully financed domestically, and amortisation payments on the Government's external debt exceeded new borrowings and grants, resulting in a net reduction of external debt. Since 2007, external debt has increased in line with the Government's objective to re-profile its debt portfolio between external and domestic debt. See "*Risk Factors—Risks Relating to the Kingdom—Budget Deficit*", "*Risk Factors—Risks Relating to the Kingdom—Public Debt*" and "*Public Debt*".

In 2007, the Ministry of Economy and Finance began publishing its website in English, in addition to French and Arabic, in order to allow a broader base of international investors to access data and policy information online.

Public Accounts

The following table sets forth the consolidated revenues and expenditures of the Government for the years 2009-2013 and the budget for 2014 (the "**2014 Budget**").

	Public Accounts[1]					
	2009	**2010**	**2011**	**2012**	**2013**[2]	**2014**[3]
	(Dh millions, except as indicated)					
I. CURRENT REVENUES	**172,596**	**174,145**	**192,298**	**201,628**	**204,565**	**207,718**
Tax Revenues[4]	**150,853**	**154,005**	**163,586**	**176,068**	**173,221**	**180,173**
Direct Taxes	71,734	65,004	70,850	78,911	76,619	77,167
Indirect Taxes	58,185	66,767	71,783	75,094	75,467	80,630
Custom Duties	11,830	12,242	10,286	9,003	7,681	7,721
Registration Fees and Stamp Duties	9,104	9,992	10,667	13,060	13,454	14,655
Non-Tax Revenues	**18,125**	**16,250**	**25,223**	**22,266**	**28,360**	**24,545**
State Monopolies	10,588	8,883	10,505	11,493	13,207	10,841
Miscellaneous	7,538	7,332	9,399	7,481	15,153	13,704
Privatisation Proceeds[5]	0	35	5,319	3,292	—	—
Receipts from Special Treasury Accounts	**3,618**	**3,890**	**3,489**	**3,294**	**2,984**	**3,000**
II. TOTAL EXPENDITURES	**188,496**	**209,909**	**240,569**	**259,188**	**252,582**	**254,279**
Current Expenditures	**152,733**	**162,020**	**194,214**	**215,623**	**209,006**	**215,638**
Administrative Expenditures	***122,131***	***117,251***	***127,144***	***140,656***	***144,904***	***156,703***
Wages and Salaries	75,527	78,768	88,973	96,673	98,641	103,700
Other Goods and Services[6]	46,604	38,483	38,171	43,983	46,263	53,003
Interest on Public Debt	***17,326***	***17,574***	***18,240***	***20,097***	***22,502***	***23,935***
Domestic	14,463	15,245	15,204	16,702	18,620	20,587
External	2,863	2,329	3,036	3,395	3,882	3,347
Subsidies	***13,276***	***27,195***	***48,830***	***54,870***	***41,600***	***35,000***
Transfers to Local Communities	**16,523**	**19,558**	**21,396**	**22,436**	**22,539**	**24,512**
CURRENT ACCOUNT BALANCE	**19,863**	**12,125**	**(1,916)**	**(13,995)**	**(4,441)**	**(7,919)**
Capital Expenditures	46,219	47,031	50,023	51,458	48,270	43,741
Special Treasury Accounts Balance	10,456	(858)	3,668	7,893	4,594	5,100
BUDGET BALANCE	**(15,900)**	**(35,764)**	**(48,271)**	**(57,560)**	**(48,117)**	**(46,561)**
III. CHANGE IN ARREARS	**(2,075)**	**6,886**	**9,851**	**(1,614)**	**(6,350)**	**(7,984)**
FINANCING REQUIREMENT (I, II + III)	**(17,975)**	**(28,878)**	**(38,420)**	**(59,174)**	**(54,467)**	**(54,545)**
Domestic Financing	**5,153**	**13,041**	**31,141**	**43,925**	**39,368**	**32,751**
Foreign Financing	**12,822**	**15,837**	**7,279**	**15,249**	**15,099**	**21,794**
Drawing	17,776	21,533	13,954	23,146	23,105	26,112
Amortisation	(4,954)	(5,696)	(6,675)	(7,897)	(8,006)	(4,318)
GDP[7]	732,449	764,030	802,607	827,497	872,791	952,199
Budget Balance, including privatisation proceeds (*as a % of GDP*)	(2.2)	(4.7)	(6.0)	(7.1)	(5.5)	(4.9)
Budget Balance, excluding privatisation proceeds (*as a % of* GDP)	(2.2)	(4.7)	(6.7)	(7.4)	(5.5)	(4.9)

Notes:
(1) Certain line items and figures differ from those previously published as a result of on-going revisions.
(2) Preliminary data.
(3) Budgeted.
(4) Excluding transfers to local communities.
(5) Not including proceeds allocated to the Hassan II Fund.
(6) Including pension contributions.
(7) The GDP figure for 2014 is the assumption included in the 2014 Budget Law.

Source: Ministry of Economy and Finance.

Results for 2013

The Budget Law for 2013 (Law № 115-12) was adopted in December 2012 and was prepared on the following assumptions: (i) real GDP growth of 4.5% (comprised of non-agricultural real GDP growth of 4.3% and agricultural real GDP growth of 6.2%); (ii) inflation of 2.2% for the year; (iii) further reforms to the subsidies system will be enacted; (iv) commodities, including oil, will remain at elevated prices; and (v) there will be an average harvest.

The principal aims of the 2013 Budget were: (i) the improvement of the competitiveness of the national economy and the support of productive investment, creation of wealth and employment; (ii) the reduction of social disparities through the implementation of continued improvements to the Kingdom's educational system (to ensure equal access to education), the reduction of illiteracy, poverty and insecurity, the facilitation of access to basic health services and housing and the improvement of living conditions, especially in rural and remote areas; and (iii) the implementation of structural reforms and measures, such as tax reform, the moderation of the public sector wage bill and subsidy reform, in order to ensure sustainability of the Kingdom's debt, improve governance and reduce the budget deficit to 4.8% of GDP. Based on the results for the three months ended 31 March 2013, the Ministry of Economy and Finance subsequently revised its budget deficit forecast to 5.5% of GDP.

The budget deficit was Dh 48.1 billion, or 5.5% of GDP in 2013, as compared to Dh 57.6 billion, or 7.4% of GDP, in 2012. The decreased deficit in 2013 was primarily due to a 3.1% decrease in expenditures, primarily as a result of a 24.2% reduction in subsidy expenditures. See "*—Subsidies*" and "*Risk Factors—Risks Relating to the Government—Budget Deficit*".

Revenues

Total revenues were Dh 204.6 billion in 2013, as compared to Dh 201.6 billion in 2012, an increase of Dh 2.9 billion or 1.5%. This increase was primarily due to an increase of Dh 6.1 billion, or 27.4%, in non-tax revenues, which was partially offset by a Dh 2.8 billion decrease in tax revenues.

Tax revenues were Dh 173.2 billion in 2013, as compared to Dh 176.1 billion in 2012, a decrease of Dh 2.8 billion, or 1.6%. Tax revenues are composed of direct tax revenues and indirect tax revenues. Direct tax revenues were Dh 76.6 billion in 2013, as compared to Dh 78.9 billion in 2011, a decrease of Dh 2.3 billion, or 2.9%. The decrease in direct tax revenues in 2013 was primarily due to a Dh 2.4 billion, or 5.6%, decrease in corporation tax receipts and a Dh 1.3 billion, or 14.7%, decrease in customs revenues. The decrease in corporation tax receipts was primarily due to lower taxable income by certain large taxpayers, but was partially offset by increased tax collection efforts and the impact of a tax amnesty offered under the 2013 Budget law, which resulted in additional collections of approximately Dh 3.4 billion.

Indirect tax revenues were Dh 75.5 billion in 2013, as compared to Dh 75.1 billion in 2011, an increase of Dh 0.4 billion. The small increase in indirect tax revenues in 2013 was primarily due to a Dh 0.2 billion, or 0.5%, increase in VAT receipts.

Non-tax revenues were Dh 28.4 billion in 2013, as compared to Dh 22.3 billion in 2012, an increase of Dh 6.1 billion, or 27.4%. The increase in non-tax revenues in 2013 was primarily due to: (i) a Dh 7.7 billion, or 102.6%, increase in other receipts, including Dh 5.2 billion in revenue received from the GCC and (ii) a Dh 1.7 billion, or 14.9%, increase in revenues from government monopolies. In addition, the Kingdom received Dh 5.2 billion in grants from Kuwait and Saudi Arabia.

Expenditures

Current expenditures were Dh 209.0 billion in 2013, as compared to Dh 215.6 billion in 2012, a decrease of Dh 6.6 billion, or 3.1%. The decrease was primarily due to a Dh 13.3 billion, or 24.2%, decrease in expenditures on subsidies. See "*—Subsidies*". This decrease was partially offset by increases of Dh 2.3 billion, or 5.2% in expenditures on other goods and services (consisting primarily of increased social payments), Dh 2.0 billion, or 2.0%, in expenditures on wages and salaries and Dh 1.9 billion, or 11.5%, on interest payments.

Subsidies

The Government provides subsidies for certain food and energy products. Over the past several years as energy and commodity prices have been increased, the Government's expenses with regard to such subsidies have correspondingly increased. See "*Risk Factors—Risks Relating to the Kingdom—Subsidies*".

The following table sets forth information on subsidies for the years indicated.

Subsidies(1)

	2009	2010	2011	2012	2013(2)
			(Dh millions)		
Food Subsidies					
Flour	2,250	2,000	3,391	3,160	2,480
Sugar	2,580	2,635	4,379	4,820	3,506
Edible oils	32	23	0	0	0
Others	60	62	60	60	60
Energy Subsidies					
Petrol and gasoil	3,220	14,325	29,400	33,372	22,630
Butane	5,134	8,150	11,600	13,458	12,924
Total	**13,276**	**27,195**	**48,830**	**54,870**	**41,600**

Notes:

(1) Certain line items and figures differ from those previously published as a result of on-going revisions.

(2) Preliminary data.

Source: Ministry of Economy and Finance.

In 2012, despite an increase in international commodity prices, the Government maintained the prices for certain food products and fuel unchanged. As a result of this policy, the Government was required to increase spending on both food and fuel subsidies and total subsidies were Dh 54.9 billion in 2012, as compared to Dh 48.8 billion in 2011 and Dh 27.2 billion in 2010. These increases were primarily due to increased petrol and (gasoil) diesel subsidies and, to a lesser extent, to increased flour and sugar subsidies. See "*Risk Factors—Risks Relating to the Kingdom—Subsidies*". In 2013, as a result of the Government's ongoing subsidy reform programme, expenditures on food and fuel subsidies decreased by Dh 13.3 billion, or 24.2%, to Dh 41.6 billion. See "*—Subsidy Reform*".

The Government anticipates that its subsidy expenditures in 2014 will be Dh 35 billion (based on expected food subsidies of Dh 5 billion and energy subsidies of Dh 30 billion).

Subsidy Reform

The Government is implementing a subsidy reform programme, which aims to (i) improve the subsidy governance structure and reduce costs (through a review of the subsidy pricing structure and the encouragement of efficient use of subsidised products); (ii) expand targeted social programmes (in order to mitigate the impact of reduced subsidies on lower-income portions of society; and (iii) support certain affected sectors of society from the impact of rising oil prices, in particular, the transportation sector.

In order to reduce subsidy expenditures, on 2 June 2012, at a time when international market prices were generally declining, the Government raised the prices of diesel fuel by Dh 1 per litre, gasoline by Dh 2 per litre and industrial fuels by Dh 988 per tonne. Implementation of this measure led to a 21% reduction in the costs of the subsidy per litre for diesel fuel, a 55% reduction per litre of gasoline and a 65% reduction per tonne of industrial fuels. This measure reduced the cost of subsidies by Dh 5.7 billion, or 0.7% of GDP, for the second half of 2012 (1% on an annualised basis).

In May 2013, the Government reduced wheat subsidies per unit administered by the *Office National Interprofessionnel des Céréales et Légumineuses*.

In August 2013, the Government adopted a decree for the partial indexation of domestic diesel, gasoline and industrial fuels prices to international market prices (to reflect both increases and decreases in such prices), with a notional cap on domestic prices equivalent to U.S.$120 per barrel of oil. Pursuant to this decree, which entered into force in September 2013, domestic prices for diesel, gasoline and industrial fuels will be reviewed each month, following which there will be an automatic adjustment of prices if the difference between international market prices and domestic prices exceeds 2.5% (subject to the aforementioned cap). As a result of this partial indexation, on 16 September 2013, the Government raised the prices of diesel fuel by Dh 0.69 per litre, gasoline by Dh 0.59 per litre and industrial fuels by Dh 662.88 per tonne.

In order to limit the Government's exposure to international oil prices to a maximum of U.S.$120 per barrel, the Government entered into hedging policies covering the products subject to the partial indexation policy for the fourth quarter of 2013 with international counterparties. The Government may continue to enter into such policies.

In January 2014, the Government announced that subsidies on premium gasoline and industrial fuel not used for electricity generation would no longer be available from 1 February 2014. As a result of this policy, since 1 February 2014, prices of such fuels have been fully indexed to international market prices. In addition, in January 2014, the Government announced that the per unit subsidy available for diesel would be reduced to Dh 2.15 with effect from January 2014, Dh 1.71 with effect from April 2014, Dh 1.25 with effect from July 2014 and Dh 0.80 with effect from October 2014. Domestic prices for diesel will be reviewed each month on the basis of fortnightly quotations and the level of per unit subsidy available, following which there will be an automatic adjustment of prices if the difference between international market prices and domestic prices exceeds 2.5%.

The Government is considering further measures to reduce subsidy expenditures, including:

- reviewing the method of awarding flour production contracts;
- improving the national distribution of sugar in order to lower costs;
- promoting the domestic production of wheat and crops that can produce sugar in order to reduce reliance on the international market;
- limiting the use of butane gas by domestic users; and
- further linking domestic prices to international prices.

In addition, the Government is seeking to reduce subsidies for large users and is considering measures to better target subsidies, which disproportionately benefit wealthier portions of society. A Social Cohesion Fund has been established to raise new taxes to help finance the subsidy reform. Programmes to support low-income widows and physically disabled individuals, as well as support to the public transportation sector to ease the cost of higher fuel prices and limit fare increases, have also been introduced.

See "*Risk Factors—Risks Relating to the Kingdom—Subsidies*".

The 2014 Budget

The 2014 Budget was adopted on 30 December 2013. It was prepared based on the following assumptions: (i) real GDP growth of 4.2% (including non-agricultural real GDP growth of 4.9%); (ii) average oil prices of U.S.$105 per barrel; (iii) a Euro:Dollar exchange rate of €1:U.S.$1.30; and (iv) inflation of 2% for the year.

The priorities of the 2014 Budget are as follows: (i) improving the competitiveness of the national economy, supporting business investment and creating wealth and employment; (ii) reducing social and geographical disparities; and (iii) implementing necessary structural reforms and improving governance, while ensuring macroeconomic and financial stability. See "*Description of the Kingdom of Morocco—Government and Political Parties*". The 2014 Budget has also been prepared in the context of the reforms expected to be enacted by the new Finance Law, an organic law required under the 2011 Constitution.

The 2014 Budget provides for projected revenue of Dh 207.7 billion (of which, tax revenues are projected at Dh 180.2 billion), projected current expenditures of Dh 215.6 billion, projected capital expenditures of Dh 43.7 billion and a projected deficit of Dh 46.6 billion (or 4.9% of projected GDP for 2014).

Taxation

The major sources of revenue are direct and indirect taxes and custom duties. The most significant direct taxes are corporate income tax and income tax. The corporate income tax rate is 30% (reduced from 35% in 2008) on income of companies and public enterprises, other than companies in the financial sector for whom the corporate income tax is 37%. The income tax is payable by individuals on their income and capital gains. The income tax has six brackets with a minimum rate of 0% for Moroccans earning less than Dh 30,000 per year and a maximum rate of 38% (reduced from 42% in 2007 and 40% in 2009) for those earning more than Dh 180,000.

Indirect taxes include VAT and domestic taxes on consumption. VAT is applicable to all industrial, commercial and trade activities, services and imports subject to certain exemption. There are four VAT rates with a standard rate of 20% and reduced rates of 7%, 10% and 14% applicable to certain professional activities, electricity and water consumption, pharmaceutical products, banking and currency transactions, brokerage services and dealings with shares in mutual funds. Consumption taxes are collected on petroleum and tobacco products. Other sources of tax revenues include registration fees, stamp duties and vehicle licence tax. The Government remains committed to reforming VAT rates, including, *inter alia*, reducing the number of VAT rates to one or two.

Custom duties include import duties. The Government has simplified customs procedures in recent years to reduce costs, including the cost of compliance, remove out-dated tariffs, combat false declarations and improve efficiency and transparency. In addition, the Government is undertaking a reform of its tariff rates by 2012 and, in February 2012, signed a new free trade agreement with the European Union to lower tariffs on agriculture and fish products. The tax burden on imports decreased from 9.4% in 2002 to 2.5% in 2012 as a result of a reduction in custom duties and the entry into of number of free trade agreements with the European Union, the European Free Trade Association, Egypt, Tunisia and other countries. As at the date of this Prospectus, the Kingdom has entered into 53 double taxation agreements.

PUBLIC DEBT

General

Public debt in Morocco is comprised of the Consolidated General Government debt and the external debt of state-owned enterprises. Consolidated General Government debt is comprised of the domestic and external debt of the Central Government, debt of certain administrative public establishments and debt of local authorities. Central Government debt held by social security funds is not included. External public debt is comprised of the external debt of the central Government and the external debt of state-owned enterprises.

As at 31 December 2013, Morocco's total public debt was Dh 532.3 billion, representing 61.0% of GDP, and total Central Government Debt was Dh 554.3 billion (consisting of domestic debt amounting to Dh 424.5 billion (or 77% of the total) and external debt amounting to Dh 129.8 billion (or 23% of the total)), representing 63.5% of GDP. The average life of Central Government debt has remained relatively stable since 2009 and was approximately five years and six months in 2013.

The following table shows Morocco's public sector debt as at the dates indicated.

Total Public Debt[1]

	31 December				
	2009	**2010**	**2011**	**2012**	**2013**[2]
			(Dh billions)		
Central Government domestic debt	266.4	292.3	331.3	376.8	424.5
Central Government external debt	78.7	92.4	99.6	116.9	129.8
Central Government Debt	**345.1**	**384.7**	**430.9**	**493.7**	**554.3**
Debt of public establishments	6.2	8.5	8.8	9.3	9.8
Public debt held by social security funds	(116.6)	(129.2)	(135.5)	(143.5)	(149.1)
Total Consolidated Central Government Debt	**234.7**	**264.0**	**304.2**	**359.5**	**415.0**
Debt of local authorities	8.3	9.4	9.8	11.6	12.4
Total Consolidated General Government Debt	**243.0**	**273.4**	**314.0**	**371.1**	**427.4**
Central Government external debt	78.7	92.4	99.6	116.9	129.8
State owned enterprises external debt	73.6	81.4	89.5	95.8	104.9
Public External Debt	**152.3**	**173.8**	**189.1**	**212.7**	**234.7**
Total Public Debt	**316.6**	**354.8**	**403.5**	**466.9**	**532.3**
			(%)		
Central Government Debt/GDP	47.1	50.3	53.7	59.7	63.5
Consolidated Central Government Debt/GDP	32.1	34.5	37.9	43.4	47.5
Consolidated General Government Debt/GDP	33.2	35.8	39.1	44.8	49.0
Total Public Debt/GDP	43.2	46.4	50.3	56.4	61.0
Average Cost					
Central Government domestic debt	5.1	5.2	4.8	4.8	4.7
Central Government external debt	4.2	3.0	3.3	3.3	3.3
Central Government debt	4.9	4.7	4.5	4.5	4.4

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Preliminary data.

Source: Ministry of Economy and Finance.

Domestic Debt

The principal placement of domestic debt is through the auction market of Government debt instruments which represents the main source of financing for the Government. As at 31 December 2013, treasury bonds issued at auctions accounted for 97% of Central Government domestic debt and 77% of total Central Government debt.

The following table sets forth the composition of Morocco's domestic public debt as at the dates indicated.

Outstanding Domestic Debt[1]

	31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(Dh millions)		
Auctioned treasury bonds	257,937	277,815	314,211	356,721	412,971
Retail six-month treasury bonds[2]	50	50	50	50	50
Other	8,452	14,387	17,081	20,034	11,436
Total	**266,439**	**292,252**	**331,342**	**376,805**	**424,457**

Notes:
(1) Certain line items and figures differ from previously published data due to on-going revisions.
(2) Phased out in 1998.

Source: Ministry of Economy and Finance.

Auctioned treasury bonds are issued in nine different maturities (as set forth in the table below). In accordance with a new issuance timetable adopted in May 2014: (i) treasury bonds with maturities of 13 weeks, 52 weeks and two years are auctioned on the first and third Tuesday of each month; (ii) treasury bonds with maturities of 26 weeks, 52 weeks, five years and 15 years are auctioned on the second Tuesday of each month; (iii) treasury bonds with maturities of 26 weeks, two years, ten years and 20 years are auctioned on the last Tuesday of each month; and (iv) treasury bonds with maturities of 30 years are auctioned on the last Tuesday of each quarter. Treasury bonds are issued with coupons attached.

The following table summarises the outstanding amount of Moroccan treasury bonds issued as at the dates indicated.

Outstanding Amount of Treasury Bonds by Auction[1]

	31 December				
Maturity	**2009**	**2010**	**2011**	**2012**	**2013**
			(Dh millions)		
30 years	2,575	2,575	2,575	2,775	2,775
20 years	18,791	19,361	21,261	21,461	21,461
15 years	71,608	69,658	73,042	76,465	86,640
10 years	64,589	70,050	78,610	83,574	90,692
5 years	29,436	48,286	59,783	82,880	94,328
2 years	11,993	33,673	62,581	73,896	83,222
52 weeks	54,246	28,962	10,620	6,279	24,891
26 weeks	3,900	3,300	1,200	700	8,903
13 weeks	800	1,950	4,540	2,670	60
6½ weeks	—	—	—	6,022	—
Total	**257,937**	**277,815**	**314,211**	**356,721**	**412,971**

Note:
(1) Certain line items and figures differ from previously published data due to on-going revisions.

Source: Ministry of Economy and Finance.

In 2009, the Budget Act authorised the Government to issue short-term securities with maturities of between seven and 45 days for the first time with the aim of diversifying the financing instruments available to the Treasury, in particular for cash management purposes. These short term securities may also be issued outside of the issuance calendar and settled on the day after pricing. In 2010, the Treasury, in consultation with primary dealers established two benchmark lines for the issuance of five- and ten-year bonds with the aim of enhancing liquidity in the secondary market. The size of each of these two lines was increased from Dh 5 billion to Dh 10 billion and then to Dh 15 billion in 2013. In 2012, the Treasury issued 30-year bonds for the first time in four years.

In 2008, the Budget Act authorised the Government to undertake active domestic debt management activities through the repurchase or exchange of government securities. The aim of such activities is to reduce the Government's future refinancing risk and to enhance liquidity in the secondary market. In 2011, the Government completed two treasury bond exchange transactions, which represented the first domestic debt management operations conducted.

In the first four months of 2014, the Treasury conducted 11 exchange operations for an aggregate amount of Dh 17,964 million and four buyback operations for an aggregate amount of Dh 1,145 million.

The cost of domestic debt has improved, although the domestic debt profile has deteriorated due to the concentration of investor bids on short-term securities. The average life of domestic debt has decreased from five years, three months in 2009 to four years, five months in 2013, and the average cost has decreased from 5.1% in 2009 to 4.7% in 2013. The portion of the Kingdom's domestic debt that is domestic medium- and long-term debt was 82% as at 31 December 2012 and 80% as at 31 December 2013.

Following measures taken by the Government to consolidate public finances, including reforms made to the subsidy system, in the first four months of 2014, the average life of domestic debt has increased to five years and one and a half months, an increase of almost eight months, as compared to as at the end of 2013. This increase is a result of increased investor bids on medium- and long-term securities and lower interest rate conditions, as well as the domestic debt management activities undertaken by the Treasury during the first four months of 2014 referred to above.

The following table shows the monthly weighted average interest rate at issue of Moroccan treasury bonds sold by auction as at the dates indicated.

Weighted Average Rate of Moroccan Treasury Bonds(1)

	31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(%)		
30 years	—	—	—	5.01	—
20 years	—	4.45	4.41	4.97	—
15 years	—	4.34	4.36	4.64	5.77
10 years	—	4.17	4.16	4.51	5.52
5 years	3.82	3.93	3.88	4.20	5.02
2 years	3.66	3.67	3.65	3.98	4.63
52 weeks	3.47	3.56	3.46	3.72	4.16
26 weeks	3.49	3.44	3.33	3.45	4.03
13 weeks	3.28	3.36	3.32	3.37	3.88

Note:
(1) Certain line items and figures differ from previously published data due to on-going revisions.

Source: Ministry of Economy and Finance.

The investor base for domestic securities is diversified. As at 31 December 2013, pension funds and insurance companies held approximately 35% of domestic Government securities, banks approximately 29% and mutual funds approximately 25%.

Public External Debt

As at 31 December 2013, Morocco's public external debt was approximately U.S.$28.8 billion, equivalent to 26.9% of GDP, the average life was eight years, seven months and the average cost was 3.2%, as compared to public external debt of approximately U.S.$19.4 billion as at 31 December 2009, equivalent to 20.8% of GDP, with an average life of seven years, eight months and an average cost of 3.8%.

The following table sets forth information relating to Morocco's public external debt as at 31 December for the years indicated.

Public External Debt[1]

	31 December				
	2009	**2010**	**2011**	**2012**	**2013**
Public External Debt					
in Dh billions	152.3	173.8	189.1	212.7	234.7
in U.S.$ billions	19.4	20.8	22.0	25.2	28.8
Total Public External Debt					
as a % of GDP	20.8	22.7	23.6	25.7	26.9
as a % of Current Receipts of Balance of Payments	54.3	53.3	52.3	57.1	62.5
as a % of official reserves	82.2	88.1	106.8	143.8	149.6
short term principal reimbursements as a % of official reserves	5.7	6.0	7.7	10.1	9.6
Public External Debt Service					
in Dh billions	14.2	15.4	17.5	19.9	21.8
in U.S.$ billions	1.8	1.8	2.2	2.3	2.6
as a % of Current Receipts of Balance of Payments	5.1	4.7	4.8	5.4	5.8

Note:

(1) Certain line items and figures differ from previously published data due to on-going revisions.

Source: Ministry of Economy and Finance.

A substantial majority of Morocco's external debt is on concessional terms, of which, as at 31 December 2013, 51.0% was owed to multilaterals and 32.8% to bilaterals.

The following table sets forth Morocco's total public external debt by type of creditor as at the dates indicated.

Public External Debt by Creditors(1)(2)

	31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(U.S.$ millions)(3)		
Bilateral creditors					
EU countries	5,391	5,226	5,390	5,909	6,732
France	*2,611*	*2,608*	*2,940*	*3,409*	4,288
Arab countries	780	799	852	808	780
Other countries	1,592	2,218	2,280	2,154	1,940
United States of America	*274*	*245*	*214*	*187*	165
Total Bilateral creditors	**7,762**	**8,243**	**8,521**	**8,871**	**9,452**
Multilateral creditors					
World Bank	2,543	2,468	2,866	3,409	4,252
Total Multilateral creditors	**10,149**	**10,266**	**11,401**	**12,417**	**14,696**
Private creditors					
Private commercial banks	**1,460**	**2,289**	**2,125**	**3,934**	4,653
Total	**19,372**	**20,798**	**22,048**	**25,222**	**28,801**

Notes:
(1) Including external debt guaranteed by the Kingdom.
(2) Certain line items and figures differ from previously published data due to on-going revisions.
(3) Calculated on the basis of the exchange rate published by the *Bank Al-Maghrib* at the end of the relevant period.

Source: Ministry of Economy and Finance.

The following table sets forth the currency breakdown of Morocco's external public debt as at the dates indicated.

External Debt by Currency(1)

	31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(% of total)		
U.S. Dollars	8.4	8.9	8.3	9.9	11.4
Euros	72.7	70.8	71.3	72.7	73.8
Japanese Yen	6.2	7.0	7.0	5.6	4.2
Others	12.7	13.3	13.4	11.8	10.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) Certain line items and figures differ from previously published data due to on-going revisions.

Source: Ministry of Economy and Finance.

The following table sets forth the currency breakdown of Morocco's Central Government external debt as at 31 December for the years indicated.

Central Government External Debt by Currency(1)

	31 December				
	2009	**2010**	**2011**	**2012**	**2013**
			(% of total)		
U.S. Dollars	10.6	11.9	11.1	12.2	13.3
Euros	76.8	75.0	75.8	76.6	77.2
Japanese Yen	3.3	3.6	3.7	3.2	2.6
Others	9.3	9.5	9.4	8.0	6.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) Certain line items and figures differ from previously published data due to on-going revisions.

Source: Ministry of Economy and Finance.

The structure of Morocco's Central Government external debt is generally kept in line with the basket of currencies to which the Dirham is pegged in order to reduce exchange rate risk. See "*Monetary and Financial System—Exchange Rates and Liberalisation of Exchange Regulations*" and "*Risk Factors—Risks Relating to the Kingdom—Net International Reserves*".

The following table sets forth details of Morocco's outstanding international Government Bonds.

Outstanding International Government Bonds

Issue Date	Issue Size	Coupon	Maturity
27 June 2007	€500,000,000	5.375%	27 June 2017
5 October 2010	€1,000,000,000	4.50%	5 October 2020
11 December 2012	U.S.$1,000,000,000	4.25%	11 December 2022
11 December 2012	U.S.$500,000,000	5.50%	11 December 2042
29 May 2013	U.S.$500,000,000(1)	4.25%	11 December 2022
29 May 2013	U.S.$250,000,000(2)	5.50%	11 December 2042

Notes:
(1) Consolidated and forming a single series with the U.S.$1,000,000,000 4.25% Notes issued on 11 December 2012.
(2) Consolidated and forming a single series with the U.S.$500,000,000 5.50% Notes issued on 11 December 2012.

Source: Ministry of Economy and Finance.

The following table provides a breakdown of projected external debt service requirements for the years indicated as at 30 June 2013 for the years indicated.

Projected External Debt Service Based on Outstanding Amounts as at 31 December 2013(1)

Year	Principal Repayments	Interest Payments	Total Debt Service
		(Dh millions)	
2014	15,007	6,932	21,939
2015	15,365	6,305	21,670
2016	15,113	5,803	20,916
2017	20,800	5,344	26,144
2018	14,973	4,620	19,593
2019	14,086	4,154	18,240
2020	24,496	3,772	28,268
2021	12,629	2,874	15,503
2022	24,321	2,508	26,829
2023	10,957	1,723	12,680
2024	9,907	1,473	11,380

Note:
(1) Total external debt includes direct indebtedness and external debt of state-owned enterprises.

Source: Ministry of Economy and Finance.

State-owned Enterprises

The Government guarantees certain debts of the Kingdom's state-owned enterprises. The amounts outstanding under guarantees (which are included in the public external debt) have increased from Dh 67.9 billion as at 31 December 2009 to Dh 89.2 billion as at 31 December 2013. This increase was due to investment programmes of certain state-owned enterprises, which have been participating in the Government's development initiatives, such as extending rural electric and water supplies and improving the road and rail network. As a result of the increase in these guaranteed debts, the ratio of external indebtedness of state-owned enterprises to GDP increased to 10.2% in 2013.

International Institutions

Considerable financing from official bilateral and other multilateral sources, as well as debt rescheduling, have supported Morocco's public finances and adjustment strategy.

IMF

Morocco has been a member of the IMF since 25 April 1957. Morocco's adjustment efforts were supported by nine IMF arrangements, with an arrangement in effect at least part of every year during 1980-93. During this period, the IMF committed SDR 3,040 million to Morocco under stand-by and extended arrangements, and Morocco used resources amounting to a cumulative total of SDR 1,733 million by the end of March 1993, when the last stand-by arrangement expired, including SDR 351 million under a compensatory financing facility. In addition to financial support, the IMF also provided extensive technical assistance, notably in the areas of expenditure control and monitoring, tax system reform, and exchange rate policy. Since February 1997, all IMF borrowings have been fully repaid. See "*—Morocco's Adjustment Strategy, Debt Record and Rescheduling*".

In September 2009, Morocco received a distribution of SDR 476 million (approximately U.S.$744 million) as part of the IMF's global distribution of SDR 250 billion to member states in order to provide liquidity to the global economic system.

In August 2012, the IMF approved an SDR 4.1 billion (approximately U.S.$6.2 billion) Precautionary and Liquidity Line. The PLL is intended to ensure that the Kingdom has the resources in the event of an economic shock, including fluctuations in oil prices and the potential impact of the economic downturn in Europe and the Eurozone crisis, as well as to reinforce confidence in the Moroccan economy.

In granting the PLL, the IMF recognised the Kingdom's sound economic fundamentals and track record of solid economic policies and noted that Morocco satisfies all five conditions for PLL qualification, performing "strongly" in three of the five conditions (financial sector and supervision, monetary policy, data adequacy) but underperforming moderately in the other two areas (fiscal policy and external position).

The conditions under the PLL arrangement include indicative targets that quantify Government objectives regarding the fiscal deficit and net international reserves, and semi-annual reviews. The fiscal target of the first year of the programme is set in line with the Government's 2012 and 2013 fiscal objectives and the Government's objective of reducing the budget deficit. The indicative target on net international reserves is consistent with maintaining gross international reserves at a comfortable level. Further indicative targets for the third review will be proposed at the time of the second review. The PLL also includes standard IMF performance criteria on trade and exchange restrictions, bilateral payments arrangements, multiple currency practice, and external arrear.

The PLL has a duration of 24 months, and it remains unused. Accordingly, no amounts under the PLL are outstanding or due to the IMF under the PLL. In February 2013, the Executive Board of the IMF completed the first review of Morocco's performance under the PLL and reaffirmed Morocco's continued qualification to access PLL resources. The second review was completed in July 2013, as a result of which Morocco's continued qualification to access PLL resources was again affirmed and IMF staff noted that the "program is broadly on track". The third review was completed in January 2014 and the IMF staff noted that the "program remains broadly on track, and Morocco continues to meet the PLL qualification criteria".

In May 2012 and in collaboration with the IMF, Morocco launched a regional initiative for the establishment of an Arab statistical institution, the Arabstat Initiative, which will be responsible for the modernisation and development of the statistics production capacity and systems in participating countries and strengthening regional cooperation in the field. See "*Presentation of Financial and Other Information*".

Morocco has also received technical assistance from the IMF in a number of fields, including, *inter alia*, in respect of policies relating to taxation, the financial sector, transfer pricing, foreign exchange and regional cooperation. The IMF has also provided technical assistance to the Government in preparing the draft finance law (which is an organic law required under the 2011 Constitution) and additional fiscal reforms. See "*Description of the Kingdom of Morocco—Constitutional and Political System—Constitutional Reform*".

The World Bank

Morocco's partnership with the World Bank has focused on solar power, sanitation, roads, social inclusion and employment projects. In January 2010, the Board of Directors of the World Bank adopted a framework for a strategic partnership with Morocco for 2010 to 2013. Under this framework, an average of U.S.$600 million was earmarked annually to support employment and competitiveness, social services and sustainable development and climate change issues.

In September 2013, the Government and the World Bank launched preparations for a new strategic partnership for Morocco for 2014 to 2017, which was approved by the World Bank's board of directors in April 2014. Under this new strategic partnership, an average of U.S.$1 billion is earmarked annually to support projects and initiatives in Morocco.

In June 2012, the World Bank approved a loan package aimed at improving services and economic opportunities in poor rural and urban Moroccan communities, as well as promoting the development of small businesses. As part of this package, a U.S.$300 million loan, underpinned by a programme to build local institutional capacity, will support the second phase of Morocco's INDH, and a U.S.$50 million loan will facilitate access to finance for micro-, small- and medium-sized businesses.

In 2012, the World Bank disbursed approximately U.S.$239 million to Morocco, of which U.S.$167 million was for structural reforms and budgeted projects. In 2013, the World Bank disbursed approximately U.S.$1.3 billion to Morocco to promote competitiveness, agriculture (including *Plan Maroc Vert*), education, improvements to the solid waste and environmental sectors, growth, accountability and transparency reforms in Morocco.

As at 31 December 2013, the total principal amount owed to the World Bank group was U.S.$4.3 billion.

African Development Bank

Morocco's partnership with the African Development Bank (the "**ADB**") is based on a Strategic Partnership Framework (2012-2016) comprising a good governance pillar and a green infrastructure pillar. In 2012, the ADB disbursed approximately U.S.$675 million (Dh 5.8 billion) to Morocco. In 2013, the ADB disbursed approximately U.S.$501 million to Morocco.

In 2013, Morocco entered into two loan agreements with the ADB in an aggregate amount equivalent to €231 million to finance programmes relating education and healthcare. The first tranches of these loans, in an aggregate amount of €140 million were disbursed in 2013.

As at 31 December 2013, the total amount owed to the ADB was U.S.$4.0 billion.

Arab Monetary Fund

Morocco's partnership with the Arab Monetary Fund has focused on financing structural reforms. In 2012, the Arab Monetary Fund disbursed approximately U.S.$156.3 million (Dh 1.3 billion) to Morocco. In 2013, the Arab Monetary Fund disbursed approximately U.S.$232.4 million to Morocco.

In December 2013, Morocco entered into an agreement with the Arab Monetary Fund for the financing of a public finance reform programme in an amount of approximately Dh 2.3 billion.

As at 31 December 2013, the total amount owed by the public sector to the Arab Monetary Fund was U.S.$556 million.

European Union

The European Union has provided Morocco with financial assistance though a range of programmes, notably the ENP, which was launched in 2003. See "*Description of the Kingdom—International Relations*".

In July 2012, the European Commission adopted its Action Programme 2012 for Morocco, which provides for a total budget of €137 million to support projects of the Government in the reform of financial management and public administration and forest management and protection. In addition, the European Commission allocated Morocco €80 million in 2012 and €48 million in 2013 under its SPRING (Support for Partnership, Reform and Inclusive Growth) programme.

European Investment Bank

Morocco's partnership with the European Investment Bank is focused on projects in the transportation, industry and services sector and stretches back to 1978. In 2012, the European Investment Bank disbursed approximately €332.3 million to Morocco. In 2013, the European Investment Bank disbursed approximately €377.7 million to Morocco. As at 31 December 2013, the total amount owed by the public sector to the European Investment Bank was €2.1 billion.

L'Agence Française de Developpement

L'Agence Française de Developpement (the "**AFD**") has financed over 50 projects in Morocco. In 2012, the AFD group disbursed approximately €358 million to Morocco. In 2013, the AFD group disbursed approximately €467 million to Morocco. As at 31 December 2013, the total amount owed to the AFD was U.S.$2.5 billion.

European Bank for Reconstruction and Development

The EBRD designated Morocco a potential beneficiary country of the Bank in 2012, pursuant to which the Bank was able to increase its funding activities in Morocco. On 4 November 2013, the EBRD designated Morocco a beneficiary country of the Bank.

Total EBRD financing in Morocco in 2013 amounted to €257.1 million, comprising a €60 million loan to ONEE in support of Morocco's drive to provide all citizens with access to electricity, as well as other commercial lending and regional funding projects. In March and June 2013, the EBRD signed agreements with BMCE, a Moroccan bank, and BCP, respectively, to establish trade finance facilities to support international and intra-regional trade transactions.

GCC

In December 2011, certain members of the GCC pledged U.S.$5 billion to fund economic and social development projects in Morocco. See "*Description of the Kingdom—International Relations—GCC*".

Public Debt Management

The main objectives of public debt management is to ensure that the Government's financing needs and payment obligations are met at the lowest possible cost over the long term consistent with a prudent level of risk, utilising domestic and external financing sources and contributing to the development of the domestic Government securities market.

Active Debt Management

Since 1996, the Kingdom has been pursuing an active debt management programme, which has largely contributed to a reduction in the total size of the Kingdom's debt and the cost of such debt.

This active debt management programme included the debt to investments conversions, effected on the basis of agreements with France, Spain, Italy and Kuwait. Since 1996, the active debt management programme has resulted in the settlement of more than U.S.$7.5 billion of which: (i) the conversion of approximately U.S.$0.9 billion of debt was into private investments; (ii) the conversion of more than U.S.$1 billion of debt was made into public investments; and (iii) the debt refinancing and use of derivative instruments for hedging purposes to reduce the Kingdom's debt portfolio exposure to interest and exchange rate fluctuations of a total amount of U.S.$5.6 billion of debt.

Since 2011, the Government has used a number of debt management techniques in respect of both the Kingdom's domestic and external debt. In respect of the Kingdom's domestic debt, in 2011, the Government completed two treasury bond exchange transactions, which represented the first domestic debt management operations conducted. In December 2013, the Government completed a buy back transaction in respect of its treasury bonds. In the first four months of 2014, the Government conducted eleven further treasury bond exchange transactions (for an aggregate amount of Dh 17,964 million), and four treasury bond buy back transactions (for an aggregate amount of Dh 1,145 million) in order to lengthen the average life of the Kingdom's domestic debt.

In respect of the Kingdom's external public debt, the Kingdom's key management activities in 2012 and 2013 included: (i) the acceleration of the programme with Spain and Italy for the conversion of public debt into investments; (ii) the conclusion of a new agreement for the conversion of public debt into investments with Italy; and (iii) the implementation of a number of interest rate and currency swaps to manage financial risks linked to the Kingdom's external public debt, including the entry into of a currency swap transaction (from U.S. Dollars to Euros) in respect of the U.S.$1 billion 4.25% Notes due 2022 issued by the Kingdom in December 2012.

Cash Management

In 2009, the Budget Act authorised the Government to conduct active cash management through the placement of excess cash over a certain level and overnight borrowing in the money markets for treasury needs. The cash management instruments used by the Treasury are (i) reverse repos collateralised by government securities for up to seven business days; (ii) overnight deposits in the interbank market; and (iii) overnight borrowings in the interbank market.

Before the start of cash management operations in February 2010, the Treasury entered into an agreement with Bank Al-Maghrib to enhance coordination and avoid any interference by Treasury operations with the conduct of monetary policy. This agreement also stated, for the first time, the remuneration by Bank Al-Maghrib of the cash deposited with it.

Coordination With Bank Al-Maghrib

Since Law № 76-03 came into force, the Ministry of Economy and Finance and Bank Al-Maghrib have engaged in a dialogue with respect to the financial sector, as well as on various operational matters, including, *inter alia*, the management of Morocco's public debt, through the exchange of information with respect to cash flow forecasts and debt projections. See "*Monetary and Financial System—Bank Al-Maghrib and the Moroccan Banking System*". Bank Al-Maghrib also performs various back office functions relating to treasury bill auctions and treasury cash management.

Debt Record

Other than as described above, Morocco has not, within a period of 20 years prior to the date of this Prospectus, defaulted on the principal or interest of any external security.

Morocco's Adjustment Strategy, Debt Record and Rescheduling

Economic and financial imbalances in the Moroccan economy at the beginning of the 1980s were the result of an excessive expansion in domestic demand and of an inadequate growth in supply, primarily reflecting price and market distortions and inefficient public sector investment, as well as the effects of global financial crises. Morocco's adjustment strategy adopted at the beginning of the 1980s aimed at achieving a sustainable growth rate and a viable balance of payment position over the medium term, with policy measures envisaged in two broad areas.

First, fiscal and monetary policies were required to be strengthened to bring the level and growth of demand in line with the level and growth of the productive capacity. Second, distortions in the incentive structure needed to be corrected to improve savings, encourage productive investment, induce shift of resources towards the export sector, and strengthen the productive base of the economy.

In the first phase, which lasted through 1985, emphasis was given to fiscal adjustment through large reductions in capital expenditures and wage restraint, supported by tight monetary policy through credit controls. In the second phase, which began in 1986, greater emphasis was given to structural reforms and to strengthening the budgetary position through reforms of the fiscal system, public enterprises, the financial system, investment codes and trade and exchange liberalisation. See "*—International Institutions—IMF*".

Paris Club

The cumulative Paris Club debt relief under six reschedulings between 1983 and 1992 totalled U.S.$6.9 billion. The obligations under the rescheduling agreements have been fully repaid, with the last payment in 2007. Approximately U.S.$1.38 billion relating to the final two agreements has been converted into investments or prepaid. All other rescheduled payments have been made according to the schedule.

London Club

Commercial bank creditors agreed to restructure, pursuant to three reschedulings between 1986 and 1992, a total of U.S.$6.7 billion of medium-term debt. The obligations under the rescheduling agreements have been fully repaid, with the last payment in 2007.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which will be endorsed on each note in definitive form:

The €1,000,000,000 3.5% Notes due 2024 (the "**Notes**", which expression includes any further Notes issued pursuant to Condition 13 and forming a single series with the Notes), of the Kingdom of Morocco (the "**Kingdom**") are (a) subject to, and have the benefit of, a deed of covenant dated 19 June 2014 (as amended or supplemented from time to time, the "**Deed of Covenant**") of the Kingdom and (b) issued pursuant to a Fiscal Agency Agreement dated 19 June 2014 (as amended or supplemented from time to time, the "**Fiscal Agency Agreement**") among the Kingdom, BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the Registrar and Paying Agents named therein (together with the Fiscal Agent, the "**Agents**", which expression includes any successor or additional Agents appointed from time-to-time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Title, Registration and Transfer

(a) *Form and denomination:* The Notes are in registered form without coupons in principal amounts of €100,000 or any amount in excess thereof which is an integral multiple of €1,000 (each, an "**authorised denomination**"). The Notes will be numbered serially.

(b) *Title:* Title to the Notes will pass by transfer and registration as described in Condition 1(c). A Noteholder will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related certificate, as appropriate) or anything written on it or on the certificate in respect of it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder. For this purpose, "**Noteholder**" shall mean the person in whose name a Note is registered in the Register (as defined in Condition 1(c)).

(c) *Registration:* The Kingdom will cause a register (the "**Register**") to be kept at the Specified Office of the Registrar on which will be entered the names and addresses of the Noteholders and the particulars of the Notes held by them and of all transfers and redemptions of Notes.

(d) *Transfer:* Notes may, subject to the terms of the Fiscal Agency Agreement and to Conditions 1(e) and 1(f), be transferred in whole or in part in an authorised denomination by lodging the relevant Note (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar or any Paying Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days (as defined in Condition 6(d)), in the place of the Specified Office of the Registrar, of any duly made application for the transfer of a Note, deliver a new Note to the transferee (and, in the case of a transfer of part only of a Note, deliver a Note for the untransferred balance to the transferor) at the Specified Office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Note by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(e) *Formalities free of charge:* Any such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Kingdom may from time to time agree with the Registrar.

(f) *Closed Periods:* Neither the Kingdom nor the Registrar will be required to register the transfer of any Note (or part thereof) (i) during the period of 15 calendar days ending on and including the day immediately prior to the Maturity Date (as defined in Condition 5(a); or (ii) during the period of seven calendar days ending on (and including) any Record Date (as defined in Condition 6(a)) in respect of any payment of interest on the Notes.

2. Status

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Kingdom and will at all times rank *pari passu* and without any preference among themselves. The full faith and credit of the Kingdom is pledged for the due and punctual payment of the principal of, and interest on, the Notes and the performance of all of the Kingdom's other obligations under the Notes. The Notes will at all times rank at least equally and rateably with all the other present and future unsecured and unsubordinated obligations of the Kingdom, save only for any obligation which may be preferred by provisions of applicable law that are both mandatory and of general application.

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Kingdom shall not, and shall not permit (to the extent the Kingdom has the power to refuse such permission) any Agency to, create or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon any of the Kingdom's assets or revenues, present or future, to secure any Public External Indebtedness of the Kingdom or of any other Person or any guarantee or indemnity of the Kingdom in respect of Public External Indebtedness of any other Person unless, at the same time or prior thereto, the Kingdom's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

In these Conditions:

"**Agency**" means any political sub-division, regional government, ministry, department, authority or statutory corporation of the Kingdom or the government thereof (whether or not such statutory corporation is autonomous) and any corporation or other entity (but not any commercial corporation or other commercial entity) which is directly or indirectly controlled (whether by reason of whole or partial ownership, control over voting or other relevant decision making power to direct management, the composition of management or otherwise) by the Kingdom or the government thereof and/or one or more Agencies.

"**Indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent.

"**Permitted Security Interest**" means:

(a) any Security Interest upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property (or property which forms part of a class of assets of a similar nature where the Security Interest is by reference to the constituents of such class from time to time); or

(b) any Security Interest existing on property at the time of its acquisition; or

(c) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; or

(d) any Security Interest securing or providing for the payment of Public External Indebtedness incurred in connection with any Project Financing provided that such Security Interest applies to (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such properties; or

(e) the renewal or extension of any Security Interest described in subparagraphs (a) to (d) above, provided that the principal amount of the Public External Indebtedness secured thereby is not increased.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other jurisdiction or entity, including, without limitation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property pursuant to which the persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project.

"**Public External Indebtedness**" means any Indebtedness which is (A) evidenced by any bond, debenture, note or other instruments which is or is capable of being quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market and (B) denominated or payable, or at the option of the creditor or holder thereof payable, in a currency other than the lawful currency of the Kingdom.

"**Security Interest**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of the Kingdom or any other type of preferential arrangement having similar effect over any assets or revenues of the Kingdom.

4. Interest

The Notes bear interest from and including 19 June 2014 (the "**Issue Date**") at the rate of 3.5% *per annum* (the "**Rate of Interest**"), payable annually in arrear on 19 June in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6. The first Interest Payment Date will be 19 June 2015.

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at the Rate of Interest (as well after as before judgment) up to, but excluding, whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

If interest is required to be paid in respect of a Note on any date other than an Interest Payment Date, it shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

5. Redemption, Purchase and Cancellation

(a) *Scheduled redemption*: Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 19 June 2024 (the "**Maturity Date**"), subject as provided in Condition 6.

(b) *Purchase and Cancellation:* The Kingdom and its Agencies may at any time purchase Notes in the open market or otherwise and at any price. Any Notes so purchased may be cancelled or held and resold. Any Notes so purchased, while held by or on behalf of the Kingdom or any Agency, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders. Any Notes so purchased and cancelled will not be reissued.

(c) *Notification*: Following any such redemption or cancellation, the Kingdom will promptly notify the Luxembourg Stock Exchange or any other stock exchange where Notes are listed if such exchange so requires of the amount of Notes so redeemed and/or cancelled and of the amount of Notes outstanding following such redemption and/or cancellation.

6. Payments

(a) *Method of payment:* Payment of principal in respect of the Notes will be made to the persons shown in the Register at the close of business on the Record Date and subject to the surrender of the Notes at the Specified Office of any Paying Agent outside the United States. Payments of interest will be made to the persons shown in the Register at close of business on the relevant Record Date. For this purpose, "**Record Date**" means the seventh business day, in the place of the Specified Office of the Registrar, before the due date for the relevant payment. Each such payment will be made by transfer in Euros by cheque drawn on, or by transfer to an account to which Euros may be credited or transferred specified by the payee in a city in which banks have access to the TARGET System. For purposes of these Conditions, "**TARGET System**" means the Trans-European Automated Real Time Gross Settlement Express Transfer System (known as TARGET2) or any successor thereto.

(b) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7.

(c) *Commissions*: No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on Business Days*: If the due date for payment of any amount in respect of any Note is not a business day in the place of presentation, the holder shall not be entitled to payment of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which commercial banks and foreign exchange markets are open in the relevant city, (where such surrender is required by these Conditions) in the place of the Specified Office of the relevant Paying Agent to whom the relevant Note is surrendered and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is operating.

7. Taxation

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. In that event, the Kingdom shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(a) presented for payment by a holder which is liable to such Taxes in respect of such Note by reason of its having some connection with the Kingdom other than the mere holding of such Note;

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(c) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union; or

(d) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent as provided in the Fiscal Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7.

8. Events of Default

If any of the following events occurs and is continuing (each, an "**Event of Default**"):

(a) *Non-Payment*: any amount of interest in respect of the Notes is not paid within 15 days of the due date for payment thereof;

(b) *Breach of Other Obligations*: the Kingdom fails duly to perform or observe any of its other obligations under or in respect of the Notes, which failure continues unremedied for 45 days after written notice thereof has been delivered by any Noteholder to the Kingdom at the Specified Office of the Fiscal Agent;

(c) *Cross-acceleration*: (i) the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any Public External Indebtedness of the Kingdom, (ii) the Kingdom defaults in the payment of any principal of or interest on any of its Public External Indebtedness when and as the same shall become due and payable, and such default continues for more than the period of grace, if any, originally applicable thereto or (iii) the Kingdom defaults in the payment when due and called upon (after the expiry of the period of grace, if any, originally applicable thereto) of any guarantee or indemnity of the Kingdom in respect of any Public External Indebtedness of any other Person; provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned in this paragraph (c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent;

(d) *Moratorium*: a moratorium on the payment of principal of, or interest on the Public External Indebtedness of the Kingdom is declared by the Kingdom;

(e) *IMF*: the Kingdom ceases to be a member of the International Monetary Fund ("**IMF**") or to be eligible to use the general resources of the IMF;

(f) *Repudiation*: the validity of the Notes is contested by the Kingdom or the Kingdom shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(g) *Performance prevented*: it shall be or become unlawful for the Kingdom to perform or comply with all or any of its obligations set out in the Notes or any such obligations shall be or become unenforceable or invalid, in each case as a result of any law or regulation in the Kingdom or any ruling of any court in the Kingdom whose decision is final and unappealable;

then (i) in the case of an event referred to in (a) or (d) above, any Noteholder may, by notice in writing to the Kingdom at the Specified Office of the Fiscal Agent, declare the Notes held by it to be immediately due and payable and (ii) in the case of any event referred to in (b), (c), (e), (f) or (g) above, holders of not less than 25% in aggregate outstanding principal amount of the Notes may, by notice in writing to the Kingdom at the Specified Office of the Fiscal Agent, declare all the Notes to be immediately due and payable, whereupon the Notes shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Kingdom.

Except in the case of an event referred to in (a) or (d) above, if the Kingdom receives notice in writing from holders of at least 50% in aggregate outstanding principal amount of Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such Noteholders wish the relevant declaration to be withdrawn, the Kingdom shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Kingdom gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

9. Prescription

Claims in respect of principal and interest shall be prescribed and will become void unless made within a period of ten years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent and the Paying Agent having its Specified Office in Luxembourg, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Kingdom may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

11. Agents

In acting under the Fiscal Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Kingdom and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The Kingdom reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Agent and additional or successor paying agents; provided, however, that the Kingdom shall at all times maintain a paying agent in Luxembourg (which may be the Fiscal Agent), and a fiscal agent and a paying agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to EU Directive 2003/48 EC. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 below.

12. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Kingdom and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that certain proposals (including any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Notes; (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes; (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment; (iv) to change the currency of payments under the Notes; (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution; (vi) to change or waive the provisions of the Notes set out in Condition 2; (vii) to change any provision of the Notes describing the circumstances in which the Notes may be declared due and payable prior to the Maturity Date set out in Condition 8; or (viii) to change the law governing the Notes, the courts to the jurisdiction of which the Kingdom has submitted in the Notes, the Kingdom's obligation to maintain an agent for service of process in England or the Kingdom's waiver of immunity, in respect of actions or proceeding brought by any Noteholder set out in Condition 18 (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, more than half of the aggregate principal amount of the outstanding Notes form a quorum.

(b) As used in this Condition 12, "**Extraordinary Resolution**" means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in these Conditions and the Fiscal Agency Agreement by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll shall be duly demanded then by a majority consisting of not less than three-fourths of the votes given on the poll. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

(c) *Modification*: The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Kingdom shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. Further Issues

The Kingdom may, from time to time, without the consent of the Noteholders create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. Notices

All notices to Noteholders shall be mailed to them at their respective addresses appearing in the Register and shall be deemed to have been given on the fourth weekday (excluding Saturday and Sunday) after the date of mailing. Notices to Noteholders may also be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice shall be deemed to have been given on the date of first publication.

15. Currency Indemnity

If any sum due from the Kingdom in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from Euros into another currency (the "**second currency**") for the purpose of (i) making or filing a claim or proof against the Kingdom, (ii) obtaining an order or judgment in any court or other tribunal or (iii) enforcing any order or judgment given or made in relation to the Notes, the Kingdom shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Kingdom and delivered to the Kingdom or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from Euros into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase Euros with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Kingdom and shall give rise to a separate and independent cause of action.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999.

17. Governing Law

The Notes, including any non-contractual obligations arising out of the Notes, are governed by, and shall be construed in accordance with, English law.

18. Jurisdiction

(a) *Jurisdiction*: The Kingdom agrees for the benefit of the Noteholders that the courts of England and Wales shall have jurisdiction to hear and determine any suit, action or proceedings which may arise out of or in connection with the Notes ("**Proceedings**") and to settle any dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (including a dispute or difference as to the breach, existence or validity of the Notes) ("**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(b) *Appropriate forum*: The Kingdom irrevocably waives any objection which it might now or hereafter have to the courts of England and Wales being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

(c) *Service of Process*: The Kingdom irrevocably appoints the Ambassador of the Kingdom to the Court of St James's as its authorised agent for the service of process in England and Wales. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(d) *Non-exclusivity*: The submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(e) *Consent to enforcement, etc.*: For the purposes of the State Immunity Act 1978, the Kingdom consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

(f) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its properties, assets or revenues immunity (whether sovereign, diplomatic or other) from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its properties, assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and the laws of the Kingdom of Morocco, provided however, that immunity is not waived in respect of (i) present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963 or (ii) military property or military assets of the Issuer related thereto or (iii) property located in the Kingdom dedicated to a public or governmental use (as opposed to a commercial use) by the Issuer.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Agents as set out at the end of this Prospectus.

PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

Amendments to Terms and Conditions of the Notes

The Global Note contains provisions that apply to the Notes that it evidences, some of which modify the effect of the Terms and Conditions of the Notes. The following is an overview of those provisions.

Payments

Payments of principal and interest in respect of Notes evidenced by the Global Note will be made to the person who appears in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment as holder of the Notes against presentation for endorsement by the Fiscal Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Fiscal Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes. "**Clearing System Business Day**" for the purposes of this paragraph means Monday to Friday, inclusive, except 25 December and 1 January.

Notices

Notices to Noteholders may be given by delivery of the notice to the relevant clearing systems for communication by them to entitled account Noteholders.

Meetings

The holder of the Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each integral €1,000 in principal amount of Notes.

Cancellation

Cancellation of any Note required by the Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by the Global Note must look solely to Euroclear, Clearstream, Luxembourg or any such other clearing system (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such other clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Note and such obligations of the Issuer will be discharged by payment to the holder of the Global Note in respect of each amount so paid.

Exchange for Definitive Notes

The Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive form ("**Definitive Notes**") in the minimum principal amounts of €100,000 and integral multiples of €1,000 thereafter if: (i) each of Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearing system satisfactory to the Fiscal Agent is available; or (ii) if an event of default occurs as set out in Condition 8, by the Issuer giving notice to the Registrar and the Noteholders, in each case of its intention to exchange interests in the Global Note for Definitive Notes on or after the Exchange Date (as defined below) specified in the notice.

"**Exchange Date**" means a day falling not later than 60 calendar days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Paying and Transfer Agent is located.

In such circumstances, the relevant Global Note shall be exchangeable in whole but not in part for Definitive Notes and the Issuer will, free of charge to the Noteholders (but against such indemnity as the Registrar or any relevant Paying and Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion and despatch to the relevant Noteholders. A person having an interest in the relevant Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Notes.

The Registrar will not register the transfer of, or exchange of interests in, the Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

TAXATION

The following discussion summarises certain Moroccan tax considerations that may be relevant to Noteholders. It also includes a limited discussion of certain European Union tax considerations. This overview is based on laws, regulations, rulings and decisions now in effect and is subject to changes in tax law, including changes that could have a retroactive effect.

This overview does not describe all of the tax considerations that may be relevant to Noteholders, particularly Noteholders subject to special tax rules. Noteholders are advised to consult their own professional advisers as to the consequences of purchasing Notes under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Kingdom of acquiring, holding and disposing of Notes and receiving payments of interest, principal or other amounts under the Notes.

Moroccan Tax

This section summarises certain Moroccan tax consequences of issue and redemption of the Notes for non-residents of Morocco pursuant to applicable Moroccan legislation and is included for general information only. Prospective investors should consult their own tax adviser as to the tax consequences under the laws of Morocco of the acquisition, ownership and disposition of the Notes. Such laws and regulations are subject to change or varying interpretations.

Principal and Interest

Principal and interest paid under the Notes to non-resident individuals and non-resident entities is currently not subject to Moroccan withholding tax.

Capital gains tax

No Moroccan tax will be payable in respect of any gain made by a non-resident entity from the disposal of the Notes. No capital gains tax arises in Morocco from the disposal of Notes by a non-resident individual, provided disposals are not effected on a regular basis.

Inheritance Taxes

No Moroccan inheritance or similar tax will be payable by a Noteholder who is a non-resident of the Kingdom of Morocco.

Stamp Duties

No stamp, registration or similar duties or taxes will be payable in the Kingdom of Morocco by Noteholders on the creation, offering, issue and delivery of the Notes.

As used above a "**non-resident individual**" is a person who does not have his permanent home (or domicile) in Morocco, who does not have a place of economic interest in Morocco and who is present in Morocco for less than 183 days in any period of 365 days and a "**non-resident entity**" is a legal entity which has neither its principal administrative office nor a permanent establishment in Morocco. A Noteholder will not become resident in Morocco for Moroccan income tax purposes merely by acquiring Notes.

EU Savings Directive

Under the EU Savings Directive (Council Directive 2003/48/EC on the taxation of savings income), EU member states are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual (or certain other types of person) resident in that other Member State. However, for a transitional period, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment is made or collected through a Member State, which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive, neither the Kingdom nor any Paying Agent nor any other person is obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Kingdom will be required to maintain a Paying Agent in a Member State that would not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

SUBSCRIPTION AND SALE

Each of BNP Paribas, Commerzbank Aktiengesellschaft and Natixis (each, a "**Joint Lead Manager**" and, together, the "**Joint Lead Managers**") has, in a subscription agreement dated 18 June 2014 (the "**Subscription Agreement**") and upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 98.337% of their principal amount less a combined management and underwriting commission and a selling concession. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States, except in accordance with Regulation S or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager represents that it has not offered or sold, and agrees that it will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in this paragraph have the respective meanings given to them by Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive, or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Joint Lead Manager nominated by the Issuer for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in any investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Kingdom; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Morocco

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes to the public in the Kingdom, and that it will not distribute this Prospectus or any other offering material relating to the Notes to the public in the Kingdom.

The Kingdom has represented and agreed that it has not offered and will not offer, directly or indirectly, any Notes to the public in the Kingdom.

Bahrain

Each Joint Lead Manager has represented and agreed that it will not offer the Notes to the Public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law № (21) of 2001) of Bahrain) in Bahrain and that it has not offered or sold, and will not offer or sell any Notes except on a private placement basis to persons in Bahrain who are "accredited investors". For this purpose, an ''accredited investor'' means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations. In any case, the Notes will not be sold, either in the primary or in the secondary market, to individuals residing in the Republic of Italy.

Each of the Joint Lead Managers has represented that it will not offer, sell or deliver any Notes or distribute copies of this Prospectus or any other document relating to the Notes in the Republic of Italy except to "**Professional Investors**", as defined in Article 31.2 of CONSOB Regulation № 11522 of 1 July 1998 ("**Regulation № 11522**"), as amended, pursuant to Articles 30.2 and 100 of Legislative Decree № 58 of 24 February 1998 ("**Decree № 58**"), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree № 58 or CONSOB Regulation № 11971 of 14 May 1999 applies, provided however, that any such offer, sale or delivery of Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree № 385 of 1 September 1993 ("**Decree № 385**"), Decree № 58, Regulation № 11522 and any other applicable laws and regulations; and

(b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

France

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France (*offre publique*), and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, the Prospectus or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to (i) qualified investors (*investisseurs qualifiés*) or a restricted circle of investors (*cercle restreint d'investisseurs*), acting for their own account, and/or (ii) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de portefeuille pour le compte de tiers*), all as defined in, and in accordance with Articles L.411-1 and L.411-2 of *the Code monétaire et financier* and Articles D.411-1 to D.411-4 of the *Code monétaire et financier*. Investors are informed that:

(a) the issue, offer or sale of the Notes does not require an information document to be submitted to the visa of the *Autorité des Marchés Financiers*;

(b) they can only invest in the Notes for their own account in accordance with the *Code monétaire et financier*; and

(c) the direct or indirect offer or sale, to the public in the Republic of France, of the Notes so purchased can only be made in accordance with the *Code monétaire et financier*.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Hong Kong

Each Joint Lead Manager has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "**Financial Instruments and Exchange Law**"). Each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan.

Singapore

This Prospectus has not and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"). Each Joint Lead Manager has represented and agreed that it will not circulate or distribute the Prospectus and any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes. The Notes may not be offered or sold or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or any person under Section 275(1A) of the

Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each Joint Lead Manager has represented and agreed that where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor as defined in Section 4A of the Securities and Futures Act) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor under the Securities and Futures Act; or

(b) a trust (where the trustee is not an accredited investor under the Securities and Futures Act) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor,

shares, debentures or units of shares or debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has so acquired the Notes unless:

(i) the transfer is to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or any person under Section 275(1) and Section 275(1A) of the Securities and Futures Act respectively, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;

(ii) where no consideration is given for the transfer; or (iii) by operation of law.

Qatar

All applications for an investment in the Notes will be received, and any allotments made, from outside Qatar. The Notes have not been and will not be registered in Qatar and have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in Qatar in a manner that would constitute a public offering. The Prospectus is strictly private and confidential and may be issued only to a limited number of sophisticated investors in Qatar and may not be reproduced or used for any other purpose nor provided to any other person.

UAE

This Prospectus may be issued to a limited number of selected institutional/sophisticated investors: (a) upon their request and confirmation that they understand that the Notes have not been approved or licensed by or registered with the United Arab Emirates Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates; (b) on the condition that this Prospectus will not be provided to any person other than the original recipient, is not for general circulation in the United Arab Emirates and may not be reproduced or used for any other purpose; and (c) on the condition that no sale of securities or other investment products is intended to be consummated within the United Arab Emirates. Each Joint Lead Manager has represented and agreed that it will not offer or sell any Notes directly or indirectly to the public in the United Arab Emirates and will not consummate any agreement relating to the sale of the Notes in the United Arab Emirates. This Prospectus has not been and will not be approved by or filed with the Dubai Financial Services Authority.

General

No action has been taken by the Kingdom or any of the Joint Lead Managers that is intended to permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any Prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Authorisation

The Kingdom has obtained all necessary consents, approvals and authorisations in the Kingdom in connection with the issue and performance of its obligations under the Notes. The issue of the Notes was authorised pursuant to Article 37 of the Law of Finances № 110-13 for the Budget Year 2014, Decree № 2-13-792, dated 31 December 2013, authorising borrowings during the 2014 fiscal year, and Decree № 2-14-415, to be dated 19 June 2014, approving the principal terms of the issue.

Documents Available for Inspection

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange. For so long as any of the Notes are so listed and the rules of the Luxembourg Stock Exchange shall so require, the Kingdom will maintain a Paying Agent in Luxembourg.

Copies (and certified English translations where the documents in question are not in English) of the following documents may be inspected during normal business hours at the offices of the Paying Agent in Luxembourg:

- the Kingdom's 2012, 2013 and 2014 budgets;
- the Fiscal Agency Agreement;
- the Deed of Covenant; and
- Decrees № 2-13-792 and № 2-14-415 referred to above.

This Prospectus is published on the website of the Luxembourg Stock Exchange, being www.bourse.lu.

Estimated Expenses

Estimated total expenses related to the admission to trading are approximately €11,300.

Trading Information

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and ISIN for the Notes are as follows:

Common Code: 107923381
ISIN: XS1079233810

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Litigation

The Kingdom is not nor has it been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Kingdom is aware) which may have, or have had in the 12 months preceding the date of this Prospectus, significant effects on the Kingdom's financial position or economy.

Significant Change

There has been no significant change in the information set out in this Prospectus under "*The Moroccan Economy*", "*External Sector*", "*Monetary and Financial System*", "*Public Finance*" and "*Public Debt*" since 31 December 2013. There have been no recent events relevant to the evaluation of the Kingdom's solvency.

Indication of Yield

The indication of yield in relation to the Notes is 3.702% *per annum*. This yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Address

The address of the Issuer is: Kingdom of Morocco, Ministry of Economy and Finance, Direction du Trésor et des Finances Extérieures, Avenue Mohammed V, Quartier administratif, 10000 Rabat, Morocco.

The telephone number of the Issuer is +212 5 37 67 73 54 or +212 5 37 67 73 55.

THE KINGDOM

Kingdom of Morocco
Ministry of Economy and Finance
Direction du Trésor et des Finances Extérieures
Boulevard Mohammed V
Quartier administratif
10000 Rabat
Morocco

JOINT LEAD MANAGERS

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Germany

Natixis
30 avenue Pierre Mendès-France
75013 Paris
France

FISCAL AGENT, PRINCIPAL PAYING AGENT, REGISTRAR AND LUXEMBOURG LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch
33 rue de Gasperich
Howald – Hesperange
L – 2085 Luxembourg

LEGAL ADVISERS

To the Kingdom as to English law:

Orrick Rambaud Martel
31, avenue Pierre 1er de Serbie
75782 Paris
France

To the Kingdom as to Moroccan law:

Secretary General of the Government
Boulevard Mohammed V
Quartier administratif
10000 Rabat
Morocco

To the Joint Lead Managers as to English law:

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ
United Kingdom

To the Joint Lead Managers as to Moroccan law:

Kettani Law Firm
8 rue Lahcen Basri
20000 Casablanca
Morocco