

# **EUROPEAN COMMISSION SERVICES' POSITION PAPER ON THE TRADE SUSTAINABILITY IMPACT ASSESSMENT IN SUPPORT OF NEGOTIATIONS OF A DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT BETWEEN THE EUROPEAN UNION AND MOROCCO**

## **1. Introduction**

This paper sets out the European Commission services' position on the Trade Sustainability Impact Assessment (SIA) of a Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union (EU) and Morocco. The Trade SIA study was commissioned by the European Commission's Directorate General for Trade and was carried out by an independent consultancy company, Ecorys. It was finalised in January 2014.

The DCFTA negotiations were officially launched on 1 March 2013 by President Barroso in Rabat. The first round of negotiations was held in Rabat in April 2013. So far, four rounds of negotiations have taken place, the last one in April 2014. The next round is scheduled to take place beginning 2015.

The final Trade SIA report consists of twelve sections: 1) Overview methodology and approach; 2) to 4) Assessment of the potential economic, social and environmental impacts of trade liberalisation under the DCFTA; 5) Consultations and Communication; 6) Screening and Scoping; 7) to 10) Specific sectorial analysis; 11) Summary and conclusions; 12) Policy recommendations.

The final report is publicly available on DG Trade's website and on the Morocco Trade SIA website created by the consultants:

- <http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/assessments/>
- <http://www.trade-sia.com/morocco/>

In line with the methodology guidelines, the study involved a series of public meetings with stakeholders in the EU and Morocco, bilateral contacts with experts and on-line consultations. This allowed to take into account views from a broad base of actors from different sectors and to raise awareness about the on-going negotiations.

The present document constitutes the response from the Commission Services to the study's findings and recommendations on policy measures.

## **2. Framework for the Trade SIA relating to the negotiation of a DCFTA between the EU and Morocco**

### **2.1 Objectives of the Trade SIA**

The European Commission services have been conducting Trade SIAs as part of the EU's trade policy-making process since 1999. The Trade SIA is designed to provide trade negotiators and policy-makers with an evidence-based ex-ante assessment of the potential

economic, social (including human rights) and environmental impacts that are likely to arise from a proposed trade policy agreement.

The Trade SIA should assess how the trade and trade-related provisions of the agreement under negotiation could affect economic, social, environmental issues in the EU and Morocco in particular, but also in other relevant countries, and should propose measures (trade or non-trade) to maximise the benefits of the agreement and to prevent or minimise potential negative impacts. The Trade SIA is also an important tool for consultation and communication with stakeholders.

## **2.2 Methodology of the Trade SIA**

The methodological framework for the Trade SIAs is described in the *EC's Handbook for Trade Sustainability Impact Assessment (EC, 2006, currently under review)*.

[http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc\\_127974.pdf](http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf)

The SIA methodology is designed to provide trade negotiators and policy-makers with an evidence-based ex-ante assessment of the potential economic, social (including human rights) and environmental impacts of the proposed trade agreement.

The methodology covers screening and scoping analysis, scenario analysis and quantitative modelling (Computable General Equilibrium model - CGE), additional quantitative and qualitative social, human rights and environmental impact analysis, causal chain analysis and sectorial analysis (incl. partial equilibrium modelling) and stakeholder consultations. The CGE analysis is based on the GTAP 8.0 database. Due to the unavailability of a recent and complete household dataset for Morocco, no quantitative analysis on the social effects of the DCFTA could be performed; the expected effects on poverty and welfare were assessed in a qualitative manner.

A range of consultation methods were deployed at all stages of the report to gather inputs from key stakeholders: electronic consultation and documentation (discussion forum, websites, feedback forms); public meetings in the EU; an SIA workshop in Morocco; visiting other relevant conferences / workshops; and personal interviews with individual stakeholder representatives, and targeted surveys.

The scenario used for the simulation was based on the following assumptions:

- The agreement between the EU and Morocco on further liberalisation of trade in agricultural, processed agricultural and fisheries products, which entered into force in October 2012, is included in the status quo situation of the economic model. As a result, the effects of the DCFTA presented in this report are exclusively the effects of the DCFTA proper and not of other existing agreements between the EU and Morocco;
- As such, the scenario developed for the DCFTA does not include any tariff reductions as all remaining tariffs on agricultural, processed agricultural and fisheries products between the EU and Morocco were (with the exception of a few tariff lines) removed by the October 2012 agricultural agreement. Tariffs on industrial products had been fully eliminated on 1 March 2012 under the Association Agreement;

- Non-Tariff Measures (NTMs) in services as expressed in Trade Costs Equivalents (TCEs) are assumed to be reduced by three per cent for Moroccan services entering the EU market, and 13 per cent for EU services entering the Moroccan market;
- Non-Tariff Measures in goods are modelled either with a limited or ambitious level of regulatory approximation or no approximation at all, depending on the sector. In addition, all agricultural and manufacturing sectors are assumed to benefit from trade facilitation;
- Spill-over effects are also taken into account, because if Morocco complies with EU rules and regulations due to approximation (of its standards for example), it will also gain better access to third countries. This effect is expected to be 25 per cent of the level of approximation of the EU level (see previous bullet).

### 3. Overview of the Consultants' findings

#### 3.1 Economic pillar

According to the consultants, the DCFTA between EU and Morocco is expected to give rise to overall positive macroeconomic effects for both regions and negligible effects on other regions. Some significant relative differences in economic impacts on sector level in Morocco are expected as a result of the DCFTA.

In the long-run and given the size of the economies, the GDP gains in relative terms are close to zero for the EU, but translate into a 1.6 per cent GDP increase for Morocco in the long run. Reducing NTMs in goods is by far the most important contributor to the expected gains of the DCFTA. The DCFTA impact on Morocco's total exports is significantly larger than on total imports, leading to a relative improvement in Morocco's trade balance. Significant positive effects for Morocco are also expected in terms of wages. Although consumer prices are expected to rise somewhat, the increase in wages is expected to improve the purchasing power of the average Moroccan citizen due to the increased income and ensuing demand.

Although the overall effects of the DCFTA on the GDP are positive, the results per sector differ: while some sectors expand, others contract in the long run. In Morocco, the most significant change in value added is expected in *Other Machinery sector*. For *Vegetables and Fruits* a significant increase in added value is also expected. The sector that is estimated to experience a non-negligible reduction in output is *Leather Goods*. Other sectors expected to contract due to the DCFTA are *Grains and Crops* and *ICT and Other Business Services*.

#### 3.2 Social pillar

As mentioned above, it is important to highlight that the social analysis is only qualitative, due to the lack of recent and complete household data. This seriously reduced the scope for analysis of social aspects of the DCFTA.

The study predicts significant income increase expected as a result of the DCFTA according to the CGE model that may in part be due to job creation rather than wage increases. The DCFTA is likely to cause some employment reallocation between sectors.

With respect to human rights, the SIA provides a comprehensive survey of the existing situation and a general assessment of the potential impact of a DCFTA. The DCFTA is expected to mainly affect economic and social rights and not cultural, civil or political rights. The already existing, horizontal human rights provisions of the Association Agreement will remain untouched and valid also for the future DCFTA component. The overall effect of the DCFTA on the human rights situation in Morocco is likely to be positive and largely indirect. No detailed analysis was conducted by the consultant on the potential implications and specific impacts on human rights at sectoral level or in connection with particular regulatory measures envisaged (such as improvement of business environment, right of establishment, intellectual property, etc.). Nonetheless, given the nature of the DCFTA, any such impact is expected to be very limited and in any case, indirect.

3.3 Environmental pillar

The SIA projects a combination of positive and negative environmental effects. In terms of air pollution, overall emissions of all air pollutants decline; this overall positive effect is mainly due to a shift in economic activity towards other less polluting sectors. CO2 emissions are also predicted to decrease and have a minor but positive effect on climate change. With respect to other types of environmental indicators, the DCFTA is likely to have mixed or only small effects.

Regarding waste, the DCFTA is likely to result in two counteracting effects. It may induce an increase in domestic waste generation because of the improvement of living conditions, whereas it should have a positive effect by limiting the activities of industries producing the most hazardous wastes. As regards water, given the expected slight increased activity in the agricultural sector which represents a major part in water consumption, it is expected that the DCFTA increases the stress on water resources that are already scarce in Morocco. This is supported by the increase in livestock activities which are water consuming and contribute to overgrazing.

**4. The Commission services' views on the policy recommendations made by the consultants**

The consultants list a set of trade-related and cooperation-related policy recommendations with the purpose of enhancing the positive impacts and preventing or mitigating the negative impacts that they have identified in their study. The main recommendations, as presented in the Trade SIA's executive summary and the Commission services' comments, are presented in this chapter.

4.1 Economic pillar

a) Consultants' policy recommendation:

Policy Measure	Potential to address	
	Within the DCFTA	Outside the DCFTA
Facilitation of technical assistance and capacity building in regulatory approximation process (e.g. SPS, TBT, trade facilitation, etc.) based on a thorough needs assessment.	v	v

Provision of technical assistance and capacity building in sectoral and business upgrading, especially SMEs to increase their competitiveness.		v
Stimulate on-going improvements in business and investment climate.	v	v
Enhance public-private dialogue through well-structured mechanisms.		v
Support regional and local economic development.		v
Enhance governance and fight against the informal economy.		v

b) Commission services' reaction:

The Commission services have taken note of the above set of recommendations. Several recommendations to be addressed within the DCFTA have been taken on board. There are ongoing discussions as to how best to address the need for technical assistance on the Moroccan side in areas such as SPS, TBT, trade facilitation and others. The Moroccan side is undertaking a study to identify in more detail its needs in terms of accompanying measures *inter alia* in these areas. Furthermore, a chapter on investment protection is being negotiated as well as chapters on key areas of the business environment such as competition or public procurement. These chapters of the DCFTA will help to stimulate on-going improvements in business and investment climate in Morocco.

The other recommendations will likely not be addressed directly in the DCFTA. Nevertheless the Commission is undertaking actions outside the DCFTA in certain areas which were identified in the recommendations. This is for example the case for the technical assistance and capacity building for the private sector, especially for SME. There is an ongoing discussion with other donors, e.g. Member States and especially international financial institutions, in order to find possibilities for these support mechanisms.

The EU is indeed supporting Morocco's Very Small, Small and Medium-sized Enterprises strategies through a 40 million euros budget support programme. The Very Small Enterprise strategy aims at providing incentives for VSEs to leave the informal sector to enter the formal economy. The EU programme will, among other things, support the reform of the business climate through the reactivation of the National as well as the Regional Committees on Business Climate (in order to foster economic development through national and local simplification measures), support the creation of the National Institute for Probity, the Prevention and Fight against Corruption which should allow companies to report cases of corruption impeding business operations, encourage the simplification of administrative procedures for SMEs (creation of a single identification number for companies, computerisation of basic procedures relating to the creation of a company, payment of taxes, etc.), support the adoption of trade facilitation measures for instance through the establishment of a one-stop shop for external trade procedures, and will support the adoption and implementation of a vocational training strategy which should allow for the TVET sector to build skills that are required by the private sector.

A large programme is currently under preparation to support the growth and competitiveness of the Moroccan economy (adoption expected by end 2015) which should provide further support to the reform of the business climate and contribute to enhancing SMEs' access to

financing. This programme should also provide technical assistance in order to assist Morocco in implementing its industrial and competition policies.

The EU also supports Morocco's participation in the regional Euro-Mediterranean industrial cooperation process which focuses on SME development based on the Small Business Act for Europe.

Local economic development is currently being fostered through two ongoing programmes in support of Morocco's agricultural strategy. These programmes particularly aim to provide assistance to small-scale farmers in order for them to enhance their ability to market their production domestically and in foreign markets.

The convergence of SPS and industrial standards is being supported in the context of the programme "Réussir le Statut Avancé" as well as through technical assistance provided under this programme.

## 4.2 Social pillar

### a) Consultants' policy recommendation:

Policy Measure	Potential to address	
	Within the DCFTA	Outside the DCFTA
Allow for phasing in of regulatory approximation at sector level, especially for those sectors where the social impact will be high.	V	
Support flexibility of labour market to facilitate the reallocation between sectors while ensuring that worker's rights are respected in law and practice.		V
Further develop social protection system, with attention for coverage, financial management and price levels.		V
Support entrepreneurship and training programmes to allow easier update and upgrade of human capital, with a clear link to labour market requirements.		V
Provide assistance in upgrading education and training programmes and improving institutional and regulatory environment in the social policy sphere to address the skill gaps.		V
Provide assistance to improve the educational links with the labour market to address the mismatch between supply and demand.		V
Prevent risks of pressures to lower the labour standards due to rising international competition, e.g. by effective implementation and enforcement of relevant ILO conventions and by approximating domestic legislation to EU <i>acquis</i> in the area of labour.	V	V

Effective implementation of HR treaties, with a focus on vulnerable groups (e.g. children, women, minorities, disabled, etc.).	v	v
Enhance policies to reduce the scale of youth unemployment.		v

b) Commission services' reaction:

The Commission services have taken note of the above set of recommendations. Several recommendations to be addressed within the DCFTA have been taken on board. The Commission is willing to consider phasing in of regulatory approximation at sector level, as appropriate. It will be for the Moroccan side to identify the sectors that are most relevant in this respect.

There will be a comprehensive trade and sustainable development chapter aiming to promote high levels of labour protection. This chapter reiterates both parties' commitment to effectively implement ratified ILO conventions and to consider ratification of further international conventions on the matter, to enforce domestic legislation in the area of labour and not to lower labour standards in order to attract trade or investment. Furthermore, it establishes a specific monitoring mechanism involving government to government dialogue as well as dialogue with civil society representatives, including social partners and the possibility of recourse to an independent panel of experts.

The other recommendations cannot be addressed directly in the DCFTA. Nevertheless the Commission is undertaking actions in certain areas in order to explore whether it can help to put into practice some of the recommendations. This is for example the case for training of businesses in order to allow easier update and upgrade of human capital. These measures can be covered to a certain degree by technical assistance.

In the context of its programme titled "Réussir le Statut Avancé", the EU has been encouraging the adoption of measures to remedy child and underage labour and to increase the role and means of the labour inspection department. It is also encouraging the implementation of ILO Convention 111 on the rights of women and the elimination of discrimination at the workplace and the adoption of a law on health and safety at work.

Institutional support has also been provided to the vocational training office (OFPPT) and the national employment agency in order to assist in improving the performance of both institutions with regards to training of workers and with regards to the placement of unemployed workers. The EU is currently formulating a new programme (EUR 60 million) in support to a broader reform of the vocational training system in Morocco which should allow the TVET sector to build the skills required by the labour market.

In the field of Human Rights promotion, the EU has, in the last 8 years, been supporting more than 200 civil society organisations active in the field of human rights for a total amount of EUR 26 million. In addition a 2014 funding of EUR 1.6 million has been earmarked under the thematic programme civil society and local authorities'.

Under the framework of the Union for the Mediterranean, Morocco is a member of the High Level Working Group on Employment and Labour. In this context, the EU supports recent *ad*

*hoc* work groups to identify innovative initiatives for job creation in the formal sector, and framework conditions for the good functioning of bipartite and tripartite social dialogue.

4.3 Environmental pillar

a) Consultants' policy recommendation:

Policy measures	Potential to address	
	Within DCFTA	Outside DCFTA
Create incentives for environmentally friendly production.	v	v
Maintain or further improve incentives to improve efficient use of water in agricultural and industrial production.		v
Improve waste collection and waste management systems.		v
Ensure effective implementation and enforcement of CITES.	v	v
Consider creating mechanisms for monitoring of environmental (and social) impact of the DCFTA (and more broadly EU-Morocco relations).	v	
Provision of (technical) assistance in environmental policy.		v

b) Commission services' reaction:

The Commission services have taken note of the above set of recommendations. Several recommendations could be addressed within the DCFTA have been taken on board in the Commission's negotiating position. The DCFTA includes a number of elements that aim to ensure that environmental policy-making objectives are not undermined and effective policy is encouraged. In this regard, the chapter on trade and sustainable development in particular contains the commitment to uphold the existing levels of protection, and prohibition of derogation from the existing domestic environmental laws, or other efforts aiming at lowering the level of protections in order to attract trade or investment. The chapter will also reaffirm the obligation to effectively implement the multilateral agreements to which Morocco and the EU are already a party and will encourage taking further measures that do not constitute an unjustified discrimination in trade. Furthermore, the Commission has also proposed to Morocco the inclusion of a monitoring mechanism, both via government-to-government dialogue, as well as with civil society, including social partners, to oversee the implementation of the DCFTA and its environmental and social impact.

The other recommendations cannot be addressed directly in the DCFTA. Nevertheless the Commission is undertaking actions in certain areas in order to explore whether it can help to put into practice some of the recommendations. There are ongoing or future technical assistance projects in some of the areas mentioned.

Further activities are undertaken within the framework of climate action, namely via the EU supported Low Emission Capacity Building programme, and in support of Nationally Appropriate Mitigation Actions in a variety of sectors including energy efficiency measures and renewable energy.

In the field of water sanitation, the EU has been supporting Morocco’s important investment efforts in building water stations and connections in the last years. Morocco actively participates in the EU-funded regional projects, including projects financed in the context of the initiative Horizon 2020, which aims to reduce pollution in the Mediterranean, the SWIM programme for Sustainable Water Integrated Management and the SWITCH-Med project to develop and implement policies to switch to sustainable pattern of consumption and production.

4.4 Sector-specific: vegetables and fruits

a) Consultants' policy recommendation:

Policy measure	Potential to address within	Potential to address outside
	DCFTA	DCFTA
Aim for full harmonisation of NTMs in goods and services between Morocco and its trading partners to ensure full absorption of potential benefits of a DCFTA. This includes developing a regional action plan to manage NTMs and advocating a further reduction of agricultural subsidies in both the Agadir region and the EU.	✓	✓
Create more incentives for private investment in agriculture in Morocco through innovative financing schemes that help growers and agribusiness SMEs access finance at low cost and boost higher value-added production in the VFN sector.		✓
Upgrade the domestic VFN market in Morocco through modernisation of logistical channels to reduce inefficiencies in the VFN value chain.		✓
Decrease inefficiencies in the wholesale segment of the value chain, where intermediaries enjoy market power over small farmers.		✓
Encourage exchanges between the EU and Morocco to further develop and implement a modern water management system in Morocco. In addition to water economisation and the mobilisation of additional resources, more can be done to recycle existing sources.		✓

b) Commission services’ reaction:

Morocco should identify its priorities for regulatory convergence in goods and services in the DCFTA. This will reduce non-tariff barriers to trade in these areas. This will be a gradual and progressive process based on mutual priorities. The DCFTA is not the right context to tackle regional issues. Nonetheless, the EU is offering other Southern Mediterranean partners the possibility to negotiate DCFTAs; this should have an impact on the elimination of non-tariff barriers to trade in goods and services amongst themselves. The DCFTA does not foresee any provisions on agricultural subsidies, although discussions in this area in the framework of the World Trade Organisation continue.

The DCFTA foresees a separate chapter on investment protection, this should help to increase the investment in Morocco overall, including for the agricultural sector.

Since 2009, the EU has been supporting Morocco’s agricultural strategy (the Green Morocco Plan). EU support has mainly been focusing on small-scale farmers and on measures aiming at providing the latter with the technical assistance and the know-how required in order to help them increase the quantity and the quality of their production. The programme has been supporting investments in processing and packaging plants in order to help producers access markets (either domestic or international). SPS standards and quality infrastructures have also been supported in the last years (creation of laboratories and agricultural research and development units, creation of “agropoles”, etc.).

4.5 Sector-specific: textiles, leather and clothing

a) Consultants' policy recommendation:

Policy measure	Potential to address	
	Within DCFTA	Outside DCFTA
Promote activities that facilitate the social upgrading process in order for additional value-added activities performed to have a positive impact on the workforce.		v
Address infrastructural bottlenecks in Morocco to facilitate a positive, country-wide impact of the DCFTA.		v
Monitor whether the DCFTA has different regional impacts for the different industries described in the sector analysis.		v
Minimise service charges related to market access in Morocco to realize more benefits from EU imports.	v	
Establish streamlined support structures for Moroccan firms, particularly SMEs, to enhance their understanding of EU market access requirements.		v
Promote the use of modern production (e.g. CAD systems) and management techniques through for example trainings and workshops.		v
Strengthen unionisation in order to have a mechanism to enforce and protect workers' rights. Potential initiatives should also address the comparably low representation of women in these organisations.		v
Promote/facilitate access of Moroccan companies on the whole EU market to reap the full benefits of a DCFTA.		v
Promote investments in the sector to upgrade processes and products, potentially allowing for the move away from (dependent) subcontracting and consequently perform more activities along the value chain.		v

b) Commission services’ reaction:

The reduction of service charges in Morocco can partially be realised by the provisions foreseen in the Customs and Trade Facilitation chapter. In addition, this chapter, together with the Technical Barriers to Trade chapter, should facilitate access of Moroccan exports in this sector to the EU market.

The provisions currently foreseen in the Trade and Sustainable Development chapter can help indirectly to strengthen the unionisation in order to enforce and protect workers' rights. The

DCFTA foresees a separate chapter on investment protection; this should help to increase Morocco's attractiveness for investment overall, including for the sector in question.

In between 2003-2010, the EU has been supporting Morocco's textile, technology and tourism sectors with a program of EUR 50 million. More precisely on textile, actions were focused on vocational training through different actions i.e. RECREM and human resources capacity building. Moreover, textile sector is one of the key priority sectors identified in the "Plan emergence industriel" for which the EU has provided EUR 60 million budget support through the PEI program (program supporting Moroccan exports and investments).

As part of the European Neighbourhood Policy and the Working Group on Euro-Mediterranean Industrial Cooperation, since 2004, Morocco has been an active member of the Euro-Mediterranean dialogue on textile and clothing industry<sup>1</sup> – the only sector-based dialogue the European Union carries out with Mediterranean partner countries. The Dialogue provides a platform for an exchange of experiences, good practice and information on available instruments and initiatives to improve the competitiveness of the textile and clothing industry and other relevant stakeholders across the Euro-Mediterranean Area. The participants represent national administrations, industrial associations, chambers of commerce, enterprises, trade unions, and research/educational centres involved with textile and clothing sector from EU Member States, Mediterranean partner countries and, recently, Western Balkans. In practice, the Dialogue consists of annual conferences dedicated to a theme important for the competitiveness of the textile industry across the Pan Euro-Mediterranean Area, notably innovation, creativity, IPR, funding, skills development and social dialogue.

4.6 Sector-specific: offshoring in business support services

a) Consultants' policy recommendation:

Policy measure	Potential to address	
	Within DCFTA	Outside DCFTA
Aim for comprehensive services commitments in as large as sector aggregation as possible in order to create as much clarity as possible.	v	
Strengthening education and language skills (i.e. English) when the sector wants to expand.		v
Stimulate investments in the development of more value added activities, such as research and development services.		v

b) Commission services' reaction:

The Services part of the DCFTA aims at comprehensive commitments for both sides. The final outcome will largely depend on respective decisions by both partners as to how far they want to commit at this stage. Furthermore, as already mentioned, the DCFTA comprises a separate chapter on investment protection which should help to increase Morocco's attractiveness for investment overall, including for the services sector.

<sup>1</sup> <http://ec.europa.eu/enterprise/sectors/textiles/external-dimension/euro-mediterranean-region/>

EU support in this area is mentioned above under 4.1 regarding HRD – social services issues.

Offshoring is one of the key priority sectors identified in the "Plan emergence industriel" for which the EU has provided EUR 60 million budget support through the PEI program (program supporting Moroccan exports and investments).

4.7 Sector-specific: energy

a) Consultants' policy recommendation:

Policy measure	Potential to address	
	Within DCFTA	Outside DCFTA
Ensure reduction of (goods and) services NTMs for trade in renewables equipment.	v	
Stimulate small-scale renewable energy demand.		v
Facilitation of technical assistance and capacity building in (renewable) energy market design.	v	v
Reduce fossil fuel subsidies.	v	
Stimulate on-going improvements in investment climate.	v	v

b) Commission services' reaction:

The DCFTA will include a dedicated chapter on Trade-related Energy matters. This is a rather new area in this kind of agreements. The chapter will include provisions aiming at improving Morocco's energy regulatory framework, notably in the field of renewables.

Technical assistance will accompany the implementation of the agreed commitments in the DCFTA on the Moroccan side, keeping in mind that the prioritisation of such assistance largely depends on Morocco.

In the last years, the EU has been supporting Morocco's energy sector reforms. The EU has among other things assisted in the establishment of a legal and institutional framework conducive to the production and marketing of sustainable energy and to the adoption of energy efficiency measures both in the private and public sector. The EU has supported and encouraged the adoption of tools to assess Morocco's potential in terms of sustainable energy production. These legal and institutional reforms have laid the groundwork for a number of major investments in the green energy sectors, such as in solar and wind energy sectors. The EU has also contributed substantially to these investments through grants and concessional loans granted by European financial institutions.

**5. Conclusions**

The Commission services have noted the findings and recommendations of the Trade SIA report and will take several of them on board during the negotiations with Morocco. As the DCFTA includes a broad range of sectors within its scope the SIA has highlighted the interconnected nature of the economic, social and environmental impacts the agreement might

have. However, a number of issues depend on the final result of the negotiations, as well as on other external (economic) factors that an ex-ante assessment cannot fully predict.

Moreover, in order to reflect the economic, social and environmental considerations, a specific trade and sustainable development chapter will be included in the agreement. Sustainable development is an overarching objective of the European Union, as stated by the European Council in 2006, and the Commission services remain committed to promoting progress on the implementation of internationally accepted levels of social standards and environmental protection when negotiating with Morocco.

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