
USAID/Morocco Country Strategic Plan 2004 - 2008

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Opening to the World

July 2003

This Strategic Plan for Morocco was assembled by USAID/Morocco. This Strategic Plan is a 'pre-decisional' USAID document and does not reflect results of USG budgetary review. Additional information on the attached can be obtained from Abderrahim Bouazza, Program Office, USAID/Rabat.

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Foreword

This document is the Country Program Strategy (CSP) proposed to USAID/Washington in July 2003, excluding the resource request and the annexes. Due to limited resources, only the Economic Growth strategic objective (SO 11) was approved at that time. Subsequently, the U.S. Government decided to provide Economic Support Funds to Morocco beginning in FY 2005. As a result, both the Education (SO 12) and the Democracy/Governance (SO 13) strategic objectives were reconsidered, with the Education SO being revised and expanded, as described in the following document. The workforce training component of the Economic Growth SO was also transferred to the new Education SO. Final approval of the CSP was given in January 2004.

Approved strategic framework



USAID/MOROCCO

Strategic Objective 12: Improved Education and Training for Employment

a. Problem Analysis

Morocco represents an island of relative stability in a highly volatile region, and maintaining economic growth and improving education are central to maintaining its stability. Morocco's educational growth and economic development are constrained by:

- Unskilled workforce and high unemployment rates
- Inadequate access to basic education
- High illiteracy rates, especially for women.

Morocco has significant unemployment rates which are particularly acute for male and female youth and young adults between the ages of 15 and 34 years (20%), especially in urban areas (34%). Compounding this is a significant mismatch between the skill requirements of the labor market with the output of the educational system, for example, 40% of humanities graduates are unemployed.

Access to quality education in Morocco's rural areas and urban slums is severely constrained. Approximately 85 to 90 percent of rural students drop out after primary school. Whilst the national net enrollment rate in middle school is 29 percent for girls, 31 percent for boys, in rural areas, this rate falls to 7 percent for girls, and 12 percent for boys. Retention rates for boys, and particularly for girls, remain low with only 30% of girls retained in the system after grade 7 as opposed to 60% of boys. *The result is a 'missing middle' of young (between 12 and 15 years) that are not educated.*

The weakness of the basic education system in providing fundamental skills, combined with the lack of career guidance information in schools, and the dearth of relevant job training and placement services contributes to low economic and social returns on education, chronic shortages of well-trained technicians, teachers, and skilled laborers and a vacuum of generic work skills underpinning a skilled workforce. For the emerging, new generation of farmers-to-be and employees in higher value-added agribusiness, agro-processing and other businesses and industries, education and training is inadequate. *Without appropriate training and retooling of the workforce, unemployment and inequity will likely rise even further.*

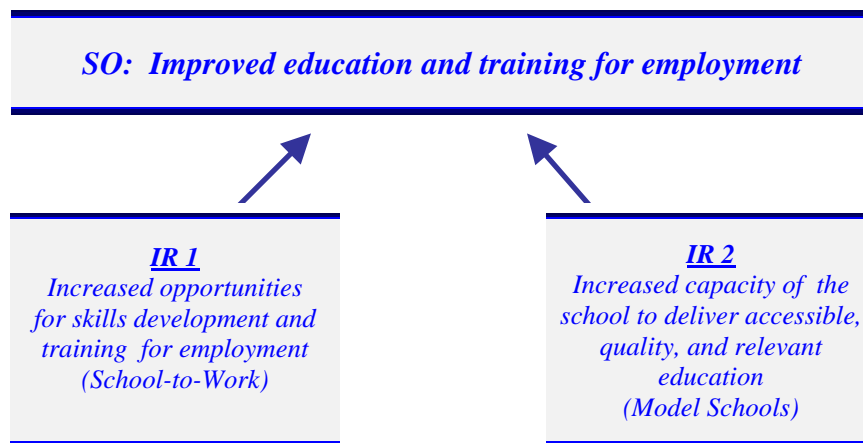
b. Strategic Objective and Impact Measurement

USAID's education initiative has a two-pronged approach that aims to improve training opportunities and access to quality and relevant education. The measurement of

success is not training but job placement and school completion. Thus, the program addresses Morocco's three-fold problem of unemployed out-of-school youth, lack of relevance of education and training to provide skills for employment, and high illiteracy rates. Coupled with this, the Free Trade Agreement between the United States and Morocco offers Morocco a chance to transform itself and become a full and active participant in the global economy. However, the transition to a new, more open, economy will require new skills, with ramifications for both rural and urban populations.

Illustrative Indicators:

- Number of students employed upon graduation from assisted institutions
- Boy-girl completion rates in Model Schools



c. Intermediate Results, Illustrative Activities and Indicators

Intermediate Result 12.1: *Increased opportunities for skills development and training for employment (School-to-Work)*

The school-to-work approach creates public-private partnerships that provide students from various levels and types of institutions with portable skills, especially information technology (IT) skills, which are pre-requisite for any job in the private sector. In partnership with the private sector, the USAID program will provide hands-on IT training for job entry at three levels:

- Basic computer skills
- Computer programming
- System's Management or IT maintenance

The measure of success is job placement. Therefore, assistance will be provided in organizing job fairs, developing job banks and other interventions, such as internships, that facilitate and enhance school-to-work connections.

Illustrative Activities:

The school-to-work program will operate at three educational levels:

- At selected vocational/skills training institutions to directly address the opportunities and challenges presented by the FTA in such areas as tourism and agriculture. IT assistance will be provided along with the development of technical training modules and training of faculty to provide students with portable technical skills to access the job market.
- At the university level to make the training relevant to the job market and thus help address the current problem of unemployed graduates; and
- At the high school level (grades 10-12) to offer students increased chances for further education or insertion in the workforce.

Illustrative indicators:

- Number of student placements in internships
- Number of students placed in subsequent level training institutions.

Intermediate Result 12.2: *Increased capacity of the school to deliver accessible, quality, and relevant basic education (Model Schools)*

The Model school approach builds upon existing experience in basic education, including successful public-private partnership structures currently in place, such as the “adopt a school” program implemented by the Moroccan NGO “El Jisr” (the Bridge), the BMCE Bank foundation’s medersat.com community school program, and USAID/Morocco’s Moroccan Education for Girls (MEG) activity. Selection of the Model schools (grades 1-9) will be made in coordination with the Ministry of National Education and Youth, targeting FTA-affected rural areas and vulnerable urban or peri-urban areas. One approach will be to use the BMCE schools as “mother schools” and select a number of cluster primary schools within a certain distance, including a middle school for USAID partnership assistance.

Assistance to Model schools will improve the physical structure of the school, the quality and relevance of education, parent involvement as well as school governance and management.

Illustrative activities:

- physical upgrading of the school building and premises, to ensure that basic hygienic and other elements, such as well functioning latrines are available

(especially crucial for the retention of girls through the higher grades). This will be done in partnership with the PTA and the community;

- establishing an information technology facility in each model school;
- teacher training in the use of information technology (those trained will become master trainers);
- development of relevant supplementary materials for grades 1 through 9, including student counseling materials;
- providing basic teaching equipment and supplies;
- developing after school programs offering adult literacy training and other community programs; and
- management and leadership training for school administrators.

To further enhance girls' retention throughout the basic education cycle, assistance will also include the creation of rural dormitories, located near the Model schools. This component may be in partnership with Peace Corps volunteers in working with the community's management of the dormitories and developing after school programs. Scholarships based on need would be limited to scholarships for girls to access middle school. The program would be managed through the school councils in collaboration with the Scholarship for Success NGO, which USAID has been supporting through a GDA.

Illustrative indicators:

- Model schools rehabilitated
- Teachers trained and applying new skills
- Number of community members trained in literacy and numeracy

d. Geographic Focus

Two areas would be targeted: FTA-affected rural areas and vulnerable urban or peri-urban areas. Once the regions are selected, one approach will be to use the rural BMCE schools as "mother schools" and select a number of cluster primary schools within a certain distance, including a middle school. With regard to school-for-work, most institutions will be located in urban or peri-urban areas with the exception of agricultural vocational training institutions that are mainly located in rural areas.

f. Assumptions

Critical assumptions for the achievement of the SO:

- The FTA agreement is successfully negotiated;
- The private sector is willing to commit to a five-year partnership;
- The private sector is capable of projecting workforce and skills area needs;
- Internal stability is maintained.

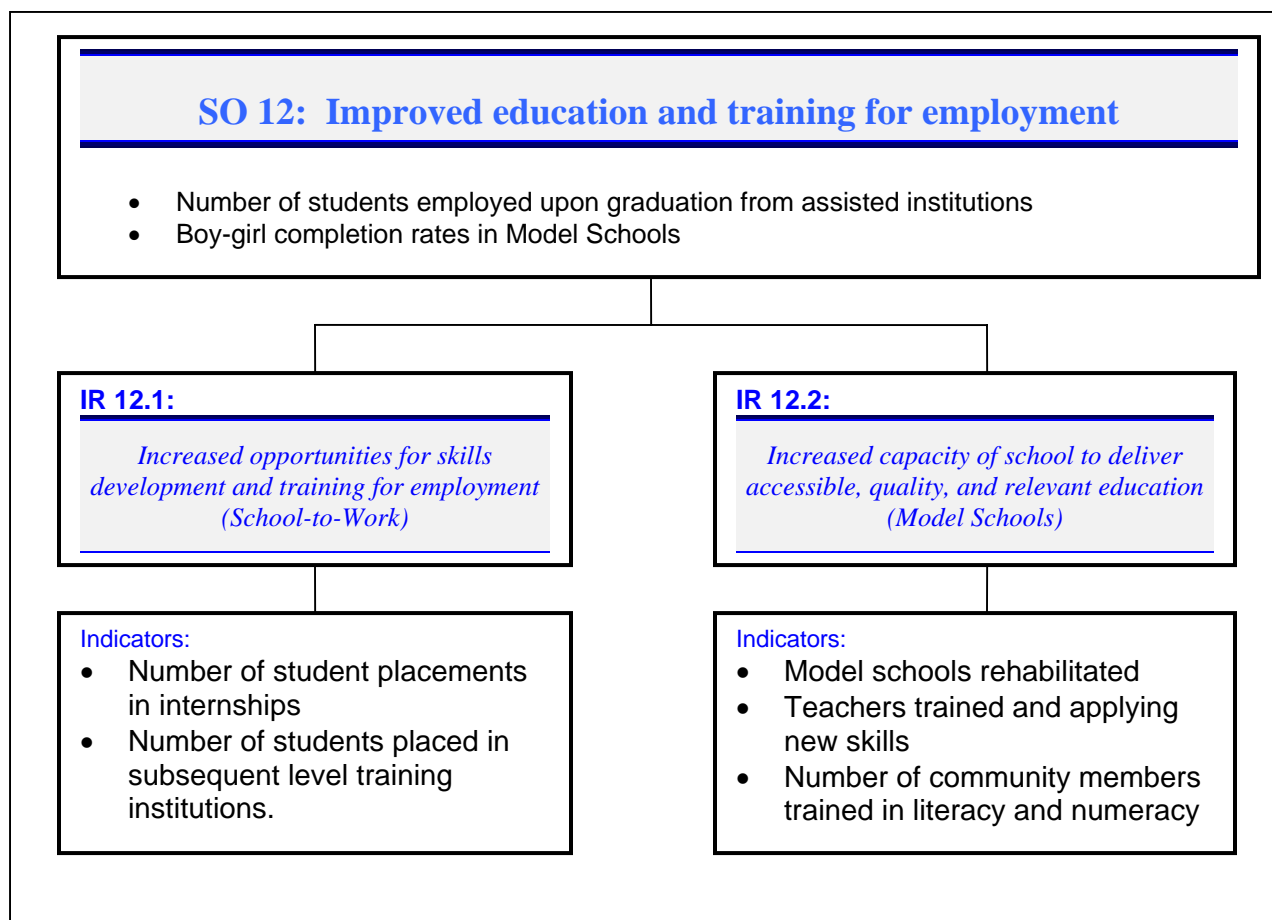
g. Partnerships and Donors

USAID will enter in formal partnerships with the private sector and work with the Ministry of National Education and Youth, as well as with other relevant Ministries. In addition, during the project development process, USAID will consult with other donors and stakeholders to ensure complementarity of efforts and establish mechanisms for coordinating and managing activities under the SO. Additional funding will be leveraged through collaborative working relationships with ongoing public and private education and training initiatives.

h. Mission Management:

The Mission's current Education Team Leader will continue in that role for the new SO, financed by program funds. Additional staffing, including a possible NEP, will also be necessary.

EDUCATION RESULTS FRAMEWORK



Illustrative Employment and Training Indicators

- Unemployment is higher in urban (21.5%) than rural areas (5%). There is also significant underemployment.
- Unemployment is particularly acute for male and female youth and young adults between the ages of 15 and 34 years (20%), especially in urban areas (34%).
- Almost 70% of Morocco's rural population is illiterate with rural female illiteracy estimated at a monumental 83%. Economic activity for urban women is mainly in the service sector (49.5%) and industry (47.50%), while 85% of rural economically active women work in agriculture.
- 85-90% of rural students drop out after primary school.
- The national net enrollment rate in middle schools is 29% for girls, 31% for boys. In rural areas, this rate falls to 7% for girls, and 12% for boys.
- Retention rates through the 7th grade for boys, and particularly for girls, remains low: only 30% of girls are still in school while 60% of boys are retained in the system.
- Two thirds of Morocco's population is under the age of 30.
- The agriculture sector employs nearly half of Morocco's population.
- There is a significant mismatch between demand and supply of training opportunities for Morocco's youth (even though as of 2001 there were 2044 professional training institutions of which 1,555 private institutes provided basic training).
- 40% of humanities graduates are unemployed (one third of them turn to vocational training institutes for practical skills building).
- Lack of career guidance information in schools.
- Absence of training institute certification.
- Huge shortage of relevant job training and placement services.

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List of acronyms

ANE	Bureau for Asia and the Near East
CGEM	General Moroccan Entrepreneurs' Confederation
CIDA	Canadian International Development Agency
CSP	Country Strategic Plan
DA	Development Assistance
DG	Democracy/Governance
EFA	Education for All
ESF	Economic Support Fund
EU	European Union
FES	Friedrich Ebert Foundation
FSN	Foreign Service National
FTA	Free Trade Agreement
FTE	Full time employee
GDP	Gross Domestic Product
GOM	Government of Morocco
ICASS	International Cooperation Administrative Support Services
IFC	International Finance Corporation
IR	Intermediate Result
IT	Information technology
JICA	Japanese International Cooperation Agency
MEG	Morocco Education for Girls
MEPI	Middle East Partnership Initiative
MNEY	Ministry of National Education and Youth
MP	Member of Parliament
NCET	National Charter for Education and Training
NEA	Bureau of Near Eastern Affairs
NGO	Non governmental organization
ODA	Official Development Assistance
OE	Operating expenses
OFPPPT	Agency for Professional Development and Employment Promotion
OYB	Operating year budget
PJD	Justice and Development Party
PTA	Parent-teacher association
RIF	Reduction-in-force
SMC	School Management Council
SME	Small & medium-sized enterprise
SO	Strategic Objective
SpO	Special Objective
TAACS	Technical Advisor in AIDS and Child Survival
TDY	Temporary duty
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
USDH	United States direct-hire employee
USG	United States Government
USPSC	United States personal services contractor
WHO	World Health Organization

Executive Summary

The Islamist Justice and Development Party's strong showing in the Parliamentary elections and the tragic terrorist attacks of May 16 place increased urgency for the King and his government to accelerate and deepen political and economic reform. Morocco also faces pressure for reform under the provisions of the free trade agreements with the United States and the European Union, both of which offer opportunities as well as costs, which if not anticipated and managed, could lead to social and economic disruptions. It is in the United States' interest to help Morocco. USAID/Morocco's strategy will support Morocco as it continues on the path of political and economic transformation.

The proposed strategy for FY 2004-2008 focuses on helping Morocco open itself to the world of increased opportunities. The touchstone of the strategy is job creation. The strategic goal is:

“An Educated and Democratic Society Successfully Competing in the Global Market Place”

The goal supports the overarching U. S. foreign policy interests in Morocco, including the negotiation, conclusion, and implementation of a free trade agreement, promoting regional stability, promoting economic development and democratic values, and combating terrorism.

The goal supports the GOM's strategy of providing jobs, opportunity, and political stability through free trade, education and workforce development, and a public sector that responds to the needs of the people.

Under the base scenario, USAID funding would focus at the national level on improving the policy and business environment to facilitate foreign and domestic investment necessary to create jobs. As agricultural tariffs are eliminated under the FTA, Morocco's rural economy will have to be transformed. The USAID strategy will help Morocco anticipate the challenges and the opportunities, diversifying both within agriculture and in the non-agricultural sectors. USAID will assist the Ministry of Agriculture to formulate policies and programs to help transform Moroccan agriculture, shifting cultivation to higher value-added crops, and reconfiguring irrigation systems accordingly. Working through associations, USAID will also help develop non-farm business opportunities. Improving the business environment will be addressed by promoting simplified and transparent investment procedures, increasing access to finance for small businesses and helping the work force develop new skills for a more competitive environment.

The medium option, with an additional focus on basic education, builds on past successes of increasing the number of rural girls completing basic education. The new program will pay particular attention to increasing the retention rate in the upper primary grades (fifth and sixth) and to strengthen the bridge into the middle school. The emphasis will be on providing relevant education that convinces families of the value of sending their girls to school to obtain skills that will let them go further in professional/vocational training or into the workforce. USAID will develop supplementary teaching materials and train teachers in gender-sensitive, student-centered methodologies, in the development of locally relevant curricula, and in how to teach critical thinking. School directors will be provided leadership, management, communication and

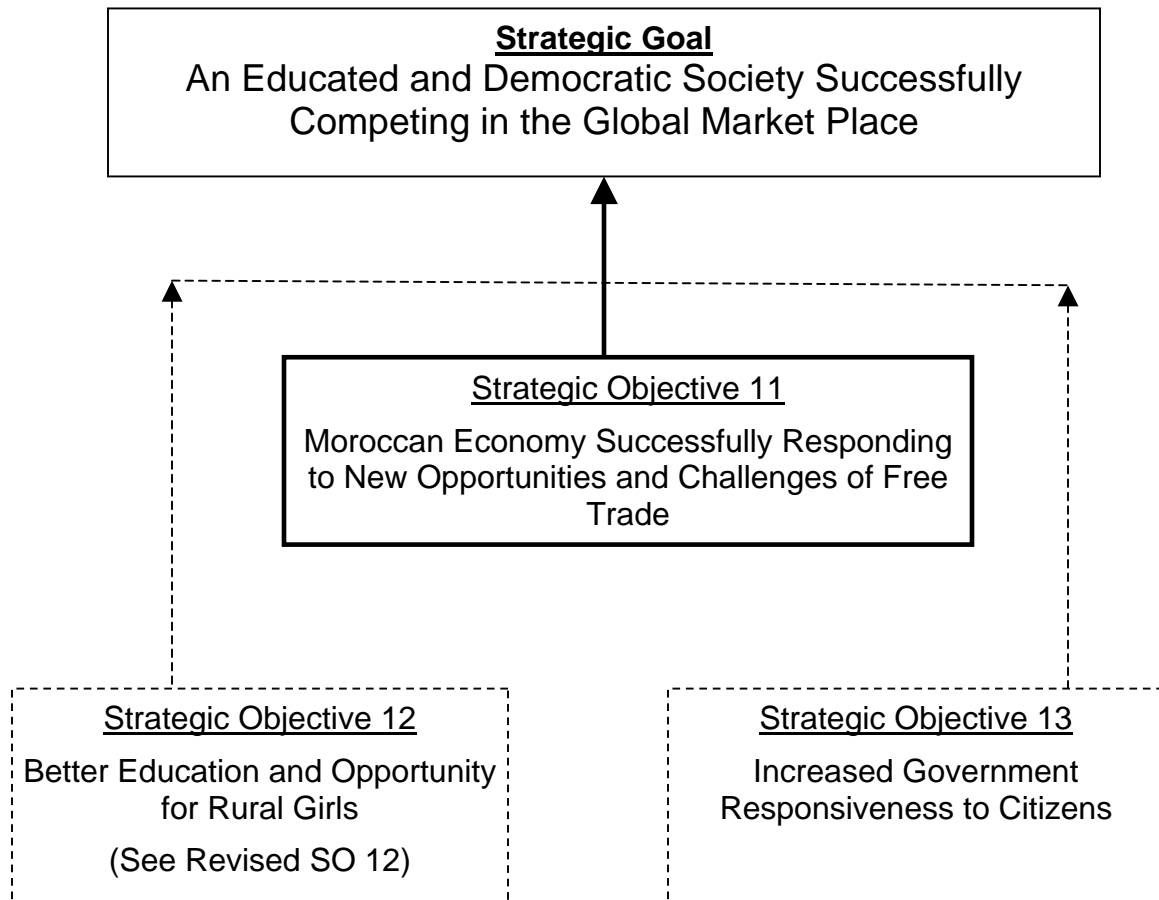
outreach skills training, to better prepare them to assure their new legislated responsibilities for ensuring efficient and effective education. Community support, through PTAs and girls' dormitories, will be a key factor in successfully retaining girls through grade nine.

The high scenario adds the third component, democracy and governance, focusing on increasing government's responsiveness to citizens, a key issue for Morocco as it decentralizes its political authorities. The GOM must do a better job responding to the real needs of its citizens or face the prospect of their looking elsewhere. Islamist groups have filled the gap where the government has failed to provide services. USAID's program will help the local government and civil society to work together to improve the quality of life. To be credible, the machinery of governance must be transparent, accountable, and equitable. By improving transparency and basic services, the government will also increase the confidence of investors to invest in the communities and create jobs. At the national level, USAID proposes to focus on improving transparency in governance through Parliament, the National Association of Municipalities and the College of Inspectors General. At the local level, USAID will help increase the capacity of local elected officials to respond to their citizens with concrete, visible improvements in the community.

All three scenarios are linked directly to the FTA, and in particular creating jobs. The programs address the longer term policy issues at the national level while offering shorter-term tangible improvements at the local and regional level. This formula has proven extremely effective over the past years in Morocco and allows for USAID to have a far more influential role than its budget levels might indicate. Through numerous focus groups with potential Moroccan partners and senior level meetings with GOM representatives, USAID received a strong endorsement of the proposed interventions.

The number of management units the Mission administers continues to be a key factor with respect to staffing levels. The Mission projects that its current program activities will be cut in half under the high scenario. However, after this year's reduction-in-force is completed, FY 2004 staffing will only be sufficient to implement the base scenario. Additional personnel will be required to successfully execute either of the other options.

Summary Results Framework



Morocco at-a-glance

Land area: 175,186 sq. miles (excluding Western Sahara)

Slightly larger than California

Total population: 29.6 million in 2002, 57 percent urban

Urbanization (2001) : 3-16% growth rate (est.)

Casablanca 3,380,000

Rabat-Salé 1,477,000

Marrakech 635,000

Fes 624,000

21 cities of more than 100,000 inhabitants
(66 percent of urban population)

297 cities of less than 100,000 inhabitants
(34 percent of urban population)

Per capita GDP:

\$1,180 (World Bank 2001)

GDP \$33.7 billion (2001, current prices)

Of which:

- Agriculture (incl. fisheries) 15.8 percent
- Industry 31.6 percent
- Services 52.6 percent

Growth rate: 6.5 percent in 2002 (real terms)

Water Availability:

1,185 m³ per capita per year (U.S.: 9,940 m³; WHO recommended levels: 2,650-5,290 m³)

Employment (2002):

Labor force: 10,379,000 (about 40% in agriculture)

Unemployment rate: 11.6 percent (Urban: 18.3 percent, Rural: 3.9 percent)

Education (2002-2003):

Illiteracy rate 48 percent (female: 62 percent)

Net primary school enrollment rate 92 percent (girls: 89 percent)

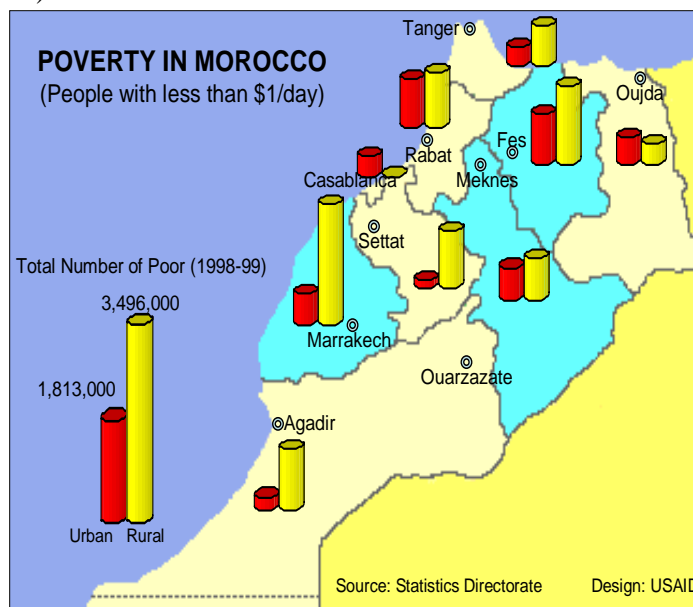
Gross middle school enrollment rate 58 percent (girls: 52 percent)

Politics:

Constitutional Monarchy

Twenty-six parties represented in two-chamber Parliament; 35 women in lower chamber

Municipal elections in September 2003 for 24,000 seats in 1,547 local government assemblies



PART I: SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT AND OVERALL RATIONALE

A. Country Setting

1. Political Landscape

Morocco continues on the path to political and economic transformation. The modern era of political adjustment which began in the late 1980s now spans a dozen governments and two kings. Milestone after milestone has been reached as Morocco has amended its constitution, witnessed the according of key government ministries and posts to opposition parties, and held the most free and fair national elections in the country's history. For economic reasons, Morocco can no longer afford the expensive system that maintained the overarching political goal of stability through the provision of basic needs, opportunities and political patronage. The demands of the population exceed the state's ability to meet them, and the population is looking for alternative solutions. The Islamist Justice and Development Party (PJD) gained more seats than any other party in the September 2002 elections by appealing to popular dissatisfaction with the responsiveness of government.

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Morocco has been undergoing a transformation of its political order from one that achieves stability through concentration of power and control of political forces, to one that promotes stability through democratization, participation and political deconcentration. King Mohammed VI and his advisors recognize the clear and startling message arising from the recent elections: *political reforms must be accelerated and deepened*. Morocco requires a more flexible, competitive, and transparent political order that creates tangible improvements in people's lives, and does not provide an opportunity for extremists to destabilize the country. In November 2002, the King nominated a non-party technocrat as Prime Minister with the mandate to legislate and implement promised reforms.

Political reforms must be accelerated and deepened.

The initial phases of political transformation were in response to the requirements of economic adjustment during the 1980s and 1990s. Morocco faces new pressures for reform under the provisions of its free trade agreements with the United States and the European Union. Morocco will face social and economic costs from these reforms, which if not anticipated and managed, could unleash and strengthen destabilizing forces.

Concurrent with political liberalization, Moroccan civil society has expanded and matured rapidly. Moroccan advocacy NGOs and local development associations have gained greater competence and confidence over the past few years. The local development NGOs emerged in response to the process of political opening in order to mobilize resources and initiatives from communities, thereby filling the void left by the state's inability to deliver services. This growing

capability is both a positive result and an opportunity for future consolidation of a more open, accountable, and competitive political environment in Morocco.

2. Economic and Social Trends

Since 1998, Morocco experienced two years of stagnation (1999-2000) and two years of recovery (2001-2002). The previous government preserved the macroeconomic stability by maintaining the fiscal and current account deficits at manageable levels, reducing external debt servicing requirements, and keeping inflation low.

Despite macroeconomic stability, liberalization progressed only slightly. The previous government did not meet the hopes of large shares of the population striving for better living conditions. The creation of jobs has not kept pace with rapid growth in the labor force. Despite two years of improvement, some 12 percent of the population was unemployed in 2002.

While some progress was made in the early nineties, poverty increased to about 19 percent of the total population, with two-thirds being located in rural areas (3.5 million, or more than ten percent of the population). About 55 percent of the rural population and 33 percent of the urban population were considered "economically vulnerable" in 2003.¹

Rural poverty is the result of adverse climatic conditions, primarily an increase in the frequency of droughts over the past 35 years. But rural poverty is further aggravated by government policies that prevent rapid modernization of the rural economy, lack of diversification out of cereal production, and inefficient use of scarce water resources.

Morocco is a middle-income country with the human development of a low-income country. Per capita income is nearly \$1,200, while social indicators rank among the lowest in the region. Approximately 48 percent of adults aged 15 and above were illiterate in 2000,² placing Morocco at 20th among the 22 Arab League countries (surpassing only Mauritania and Yemen). Women are particularly affected, with female illiteracy rate at 62 percent.

Morocco is a middle-income country with the human development of a low-income country.

3. Morocco's Development Priorities

During his speech opening the Parliament in October 2002, King Mohammed VI outlined four priorities for Morocco: providing productive jobs, promoting economic development, delivering useful education, and increasing access to decent housing.

The newly-appointed Prime Minister, in his statement before the Parliament on November 21, 2002⁴, outlined the government's plans for social and economic development consistent with the King's priorities. Government policy will focus on modernizing infrastructure, upgrading the

¹ Defined as the poor and those just above the poverty line (*La Vie Economique*, 4/18/2003).

² UNDP, Human Development Report 2002.

³ Citation

⁴ Driss Jettou, "Déclaration gouvernementale devant le Parlement," in *Le Matin*, (November 22, 2002).

abilities of government and administration, strengthening the system of justice, strengthening the productive sectors, and delivering services and amenities to the population in such critical areas as education, housing, and health. The centerpiece of the policy is the creation of jobs through increased investment and improved skills. The reduction in the unemployment rate will be the indicator of the government's success.

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The GOM's strategy for investment promotion includes improving the enabling environment, and stimulating key sectors where Morocco has a competitive advantage, such as tourism, manufacturing, fisheries, agriculture, and mining. In parallel, business associations' roles will be strengthened. Workforce training will be adapted to enterprises' needs. Rural development is one of the important elements of the Government's policy, and includes a program to diversify the rural economy. A new approach to water policy will be promoted, focusing on improved demand management and water use rationalization. In May 2003, the Government succeeded in convincing major labor unions to agree to the revision of the labor code to produce more flexibility in labor markets. It also adopted a list of measures to upgrade Moroccan enterprises, which are focus on five areas: institutional support, infrastructure, finance, taxes, and simplification of administrative procedures.

The GOM's priorities in education and training are embodied in the National Charter on Education and Training (NCET). The government will promote universal basic education, the reduction of illiteracy and school drop-out, and the adaptation of training to market needs. The government will also focus on the improvement of the quality of education and efficiency in the management of the education system.

On June 3, 2003 the Prime Minister launched a program which provides a way forward for the GOM following the Casablanca bombings. The "*Politique de Proximité*" (Policy of Nearness) will go directly to the people with activities that will provide immediate and tangible improvements in their lives. Resources will go to housing, health, transportation, literacy, youth, and local civil society associations. Small- and medium-sized towns will be targeted along with the peri-urban areas of larger cities. The overall policy of territorial management will implement measures for each category of urban areas, including support to economic growth poles, particularly within rural areas most at risk.

The "Politique de Proximité" will go directly to the people with activities that will provide immediate and tangible improvements in their lives.

4. Assessing AID's Comparative Advantage

Since the November 2002 approval of the Concept Paper, USAID/Morocco has conducted numerous thorough assessments and consultations on which the proposed strategy is based. Using Project Development and Learning funds, USAID/Morocco conducted assessments on Morocco's democratization, workforce training, and water issues, in addition to the required donor, gender, conflict vulnerability and biological diversity analyses. ANE provided critical and highly appreciated technical support to finalize this Country Strategic Plan.

Based on the research, several key observations and recommendations were made:

1. Morocco's water allocation decisions are not based on economic returns.
2. Morocco's comparative advantage in agriculture will be in irrigated areas, and thus where USAID should focus.
3. Morocco's greatest workforce development priority should be on increasing the competitiveness of the rural economy to allow it to navigate the transition challenges posed by the FTA.
4. Governance remains the most problematic democracy and governance area in Morocco, from the local level all the way to the central administration and the national political party scene.
5. Morocco must create tangible improvements in people's lives and not provide an opportunity for extremist currents to destabilize the country.

In addition, the assessment of technical assistance needs related to FTA provided specific sectoral assistance recommendations. USAID also conducted three focus group sessions with Moroccan counterparts to ground truth the proposed strategy. The donor community also participated in the strategy development, ensuring collaboration and avoiding duplication. Embassy's Democracy and Prosperity working groups actively participated in the strategic design of the CSP. And lastly, senior Moroccan officials were consulted to reconfirm USAID's responsiveness to Morocco's strategic priorities.

5. Opportunities and Risks

From all the analyses, it is clear that Morocco faces significant political and developmental challenges and constraints that need to be urgently addressed. The opportunities for reform and transformation are great, if seized and nurtured.

- The potential **free trade** agreement (FTA) with the United States offers an opportunity to bring about major economic reforms that will attract investment, open global markets, and create jobs.
- In **education**, the National Charter for Education and Training (NCET) is in place, and USAID is well placed to assist in its implementation. The NCET reforms will transform the schooling system and offer an education of higher quality and relevance to the new economy.
- A **democratic** process continues with recent elections bringing into power new leadership to accelerate reforms.

However, there are risks associated with each opportunity:

- Opening the economy will force structural changes in key sectors, particularly in agriculture, while threatening powerful interests which seek to maintain the status quo.

Economic restructuring must be carefully managed, anticipating both emerging opportunities and attendant social and economic costs.

- The transition to a new, more open, economy will require new skills, with ramifications for both rural and urban populations. The basic education system must retain students and provide a sound basic education in order to provide the fundamental skills required as the first step of workforce training. Without appropriate training and retooling of the workforce, unemployment and inequity will likely rise even further.
- The growth of democracy is rooted in local politics. Citizens are learning to vote for parties who deliver real improvements into their lives. The Islamist PJD's significant gains in Parliament are attributed to that party's ability to portray itself as being more responsive to citizens' needs. Local government needs to be more responsive.

B. U.S. Foreign Policy Interests in Morocco

U.S. foreign policy interests in Morocco are to:

- Combat terrorism
- Open markets
- Promote economic development and empowerment
- Promote democratic values
- Promote regional stability

Morocco has distinguished itself as a solid partner in the fight against global terrorism. Morocco's resolve in this fight has been further strengthened following the tragedies of May 16, 2003 in Casablanca, which many Moroccans view as the country's September 11th. These events also highlight the importance of urgent and unwavering U.S. support for Morocco's political and economic transformation and its continued development as a tolerant and open country that provides jobs and opportunities for its citizens.

The United States Government's highest economic priority in Morocco is the negotiation, conclusion, and implementation of the U.S-Morocco Free Trade Agreement (FTA). The FTA offers an opportunity to bring about major economic reforms and restructuring that will attract investment, open global markets, and create jobs. The United States will also promote broader economic development, basic education, and democratization through the Middle East Partnership Initiative. President Bush's specific references to Morocco in his May 9, 2003 statement,⁵ only underscore the importance and visibility of these initiatives for Morocco.

The United States Government's highest economic priority in Morocco is the US-Morocco Free Trade Agreement.

⁵ Fact Sheet: Proposed Middle East Initiatives. Office of the Press Secretary, The White House. May 9, 2003. <http://www.whitehouse.gov/news/releases/2003/05/20030509-12.html>.

USAID/ANE and State/NEA directed USAID/Morocco to develop a strategy with the following parameters:

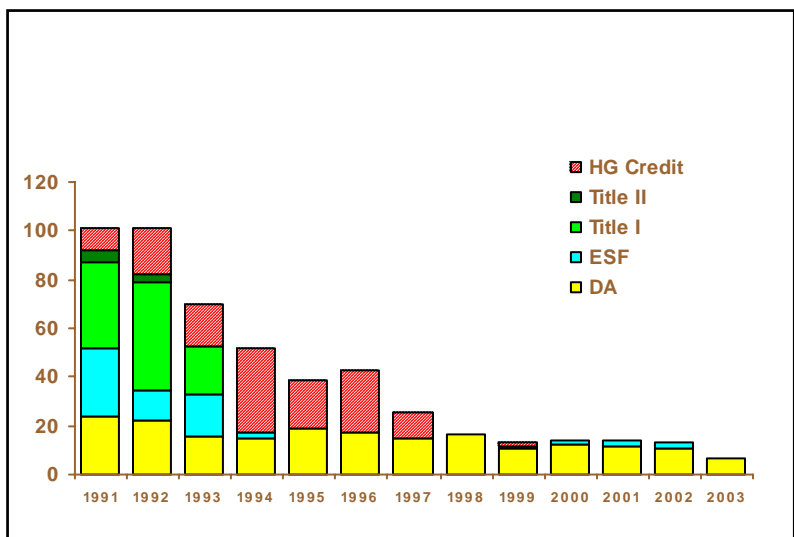
- Develop a five year (FY2004-FY2008) sustainable development strategy.
- Present one economic growth strategic objective focused on policy-based activities that directly link to job creation and implementation of the US-Morocco Free Trade Agreement and the broad-based economic restructuring that the FTA will induce. This objective should include components that address basic education/workforce development and democracy and governance as they relate to economic growth and the FTA.
- Present alternative scenarios for programming ESF resources under the Middle East Partnership Initiative (MEPI) for separate education and democracy and governance strategic objectives.
- In all three scenarios, activities should ultimately link to job creation.
- Efforts should be in areas where the United States and Morocco have shared values and should provide visible and tangible benefits to the Moroccan people.
- Efforts should complement activities of the Government of Morocco and other donors and reflect USAID's comparative advantage.

C. USAID's Assistance to Date

Over the years, USAID and Morocco have collaborated to make substantial improvements in Moroccan lives. Early programs focused on infrastructure, evolving into social sector and economic growth programs. Notable recent successes have come in agriculture and agribusiness, health, primary education, housing and urban development, microfinance, SME development, and water management.

Since the early nineties, USAID investment in Morocco has been constantly on the decline: from an

average of about \$100 million, economic assistance has leveled at around \$7 million per year. USAID/Morocco collaboration has evolved and adapted rapidly with this decline. USAID has found ways to manage fewer resources while using our comparative advantage, credibility, and established relationships to influence change. In addition, USAID formed partnerships among government, private sector companies, and foundations to leverage resources. Over the last three



years, our Moroccan partners—the government, banks, private businesses, and foundations—have contributed more than \$2.40 for every dollar of USAID funding.

Moroccan partners have contributed more than \$2.40 for every USAID

Under recent programs, USAID/Morocco supported and encouraged the Moroccan Government's efforts to reform and liberalize economic and social policies. USAID helped improve the quality of life for poorer Moroccans through activities in five areas: economic growth and private sector development; environment, water, and urban development; democracy and governance; primary education; and maternal and child health. Key results and highlights of recent programs include –

- The Government's delegation of investment authority was inspired by USAID's "Investors' Roadmap".
- USAID introduced new technologies and approaches to reform and promote more efficient management of scarce water resources.
- USAID trained roughly one-third of the women recently elected to Parliament in how to campaign.
- USAID-piloted primary education modules have now "gone national," adopted by the Ministry of National Education and Youth, local community PTAs, as well as by other donors such as the World Bank and the European Union.

In all of these cases, these high-visibility demonstration projects and parallel policy dialogue reinforce each other to create a continuous cycle of improvement. Repeatedly, USAID has used pilot projects to influence broader policy change, an approach our counterparts frequently prefer over those of other donors.

D. Other Donors

General trends in official development assistance (ODA) show decreasing levels since the early nineties. After a peak at about \$1.2 billion in 1992, net ODA disbursements decreased progressively to about \$400 million. With an average of about \$216 million over the 1995-1999 period, France maintained a leading position, far ahead of Japan (\$43 million), Spain (\$30 million) and Arab Countries (\$29 million).

Bilateral donor assistance focuses on water resources infrastructure, distribution, and management, and in human resources development. Other investment and development banks' portfolios support mostly large infrastructure projects including road networks, potable water supply, irrigated agriculture and electrification.

European Union and World Bank assistance levels (\$1,150 million and \$462 million, respectively) are dominated by large policy reform programs in multiple sectors, including public administration reform, housing, water and sanitation, transportation, health, education, financial sector, and judicial reform. The multilateral donors also provide resources for developing the private sector and strengthening the workforce. USAID's strategy will focus on critical areas not addressed by other donors and in which USAID has an established comparative advantage.

E. Critical Assumptions and Issues Requiring Bureau's Commitment

USAID/Morocco's proposed strategy rests on a number of critical assumptions outside of USAID's manageable interest.

- Successful conclusion of the US-Morocco Free Trade Agreement negotiations.
- MEPI-funded strategic objectives in basic education and democracy and governance include MEPI resources to fund staff and operating expenses.
- Anticipated resources levels stated in the parameters cable are maintained.
- Continued political stability in the wake of the May 16, 2003 bombings in Casablanca.
- Movement towards a more democratic and open society maintained.
- Other donors and the government of Morocco implement a social safety net to mitigate any adverse social costs of trade liberalization.

With an approved strategy, USAID/Morocco will need USAID/ANE's commitment on three issues:

- Maintain operating expense budget and staffing levels sufficient for the number of management units.
- With USAID/Morocco now a small mission, ANE will need to increase its technical and field support in project design, program monitoring, and evaluation.
- In cooperation with MEPI staff, develop one reporting and monitoring system that accommodates DA, ESF, and MEPI resource flows.

PART II: PROPOSED STRATEGIC PLAN

A. Program Goal and Relationship to Agency Pillars and Objectives

USAID/Morocco's proposed strategy presents three scenarios:

- A **base scenario** consisting of one economic growth strategic objective with workforce development and democracy and governance components;
- A **medium scenario** that adds a strategic objective in basic education contingent on the availability of resources through the Middle East Partnership Initiative.
- A **high scenario** that further adds a strategic objective in democracy and governance to the portfolio, contingent on the availability of resources through the Middle East Partnership Initiative.

The goal of the proposed strategy is:

“An Educated and Democratic Society Successfully Competing in the Global Market Place”

The goal of this strategy supports the overarching United States foreign policy interests in Morocco, including the negotiation, conclusion, and implementation of a free trade agreement between the United States and Morocco, promoting regional stability, promoting economic development and democratic values, and combating international terrorism.

The goal supports the Government of Morocco's goal of providing jobs, opportunity, and political stability through the promotion of free trade, education and workforce development, and a government that responds to the needs of the people.

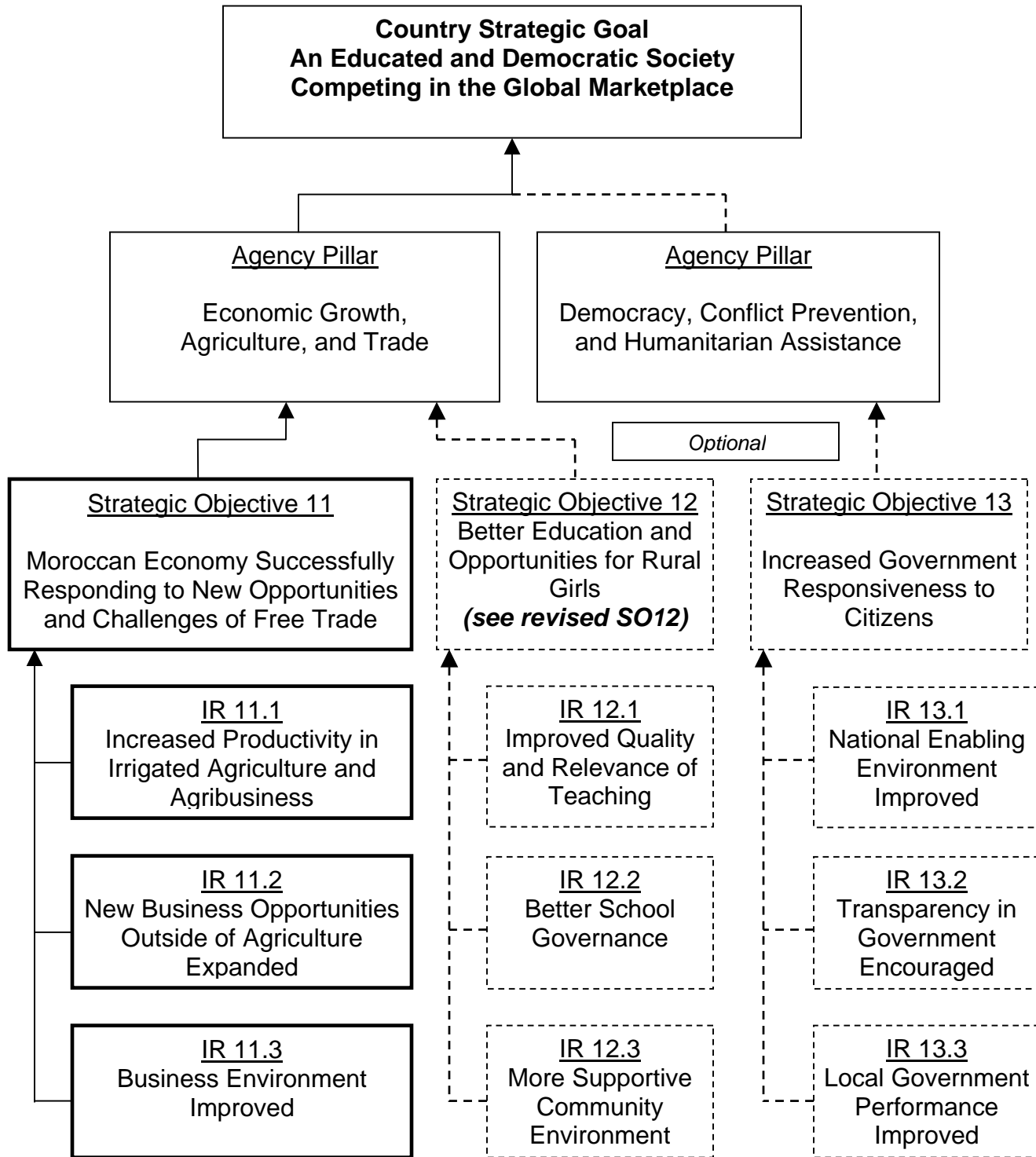
The strategy supports the Agency's goals of “Broad-Based Economic Growth and Agricultural Development Encouraged,” “Democracy and Good Governance Strengthened,” and “Human Capacity Built through Education and Training.” Specific linkages to Agency pillars, goals and objectives are presented in the individual SO narratives.

The USAID strategy also supports goals and objectives under the Middle East Partnership Initiative, including:

- Enhance MEPI partner countries' global competitiveness
- Encourage mobilization of foreign direct and domestic investment
- Facilitate revenue and employment growth of microenterprises and SMEs
- Expand access and enhance quality of basic formal education, particularly for girls
- Promote the rule of law and accountable, effective government institutions

B. Strategic Framework

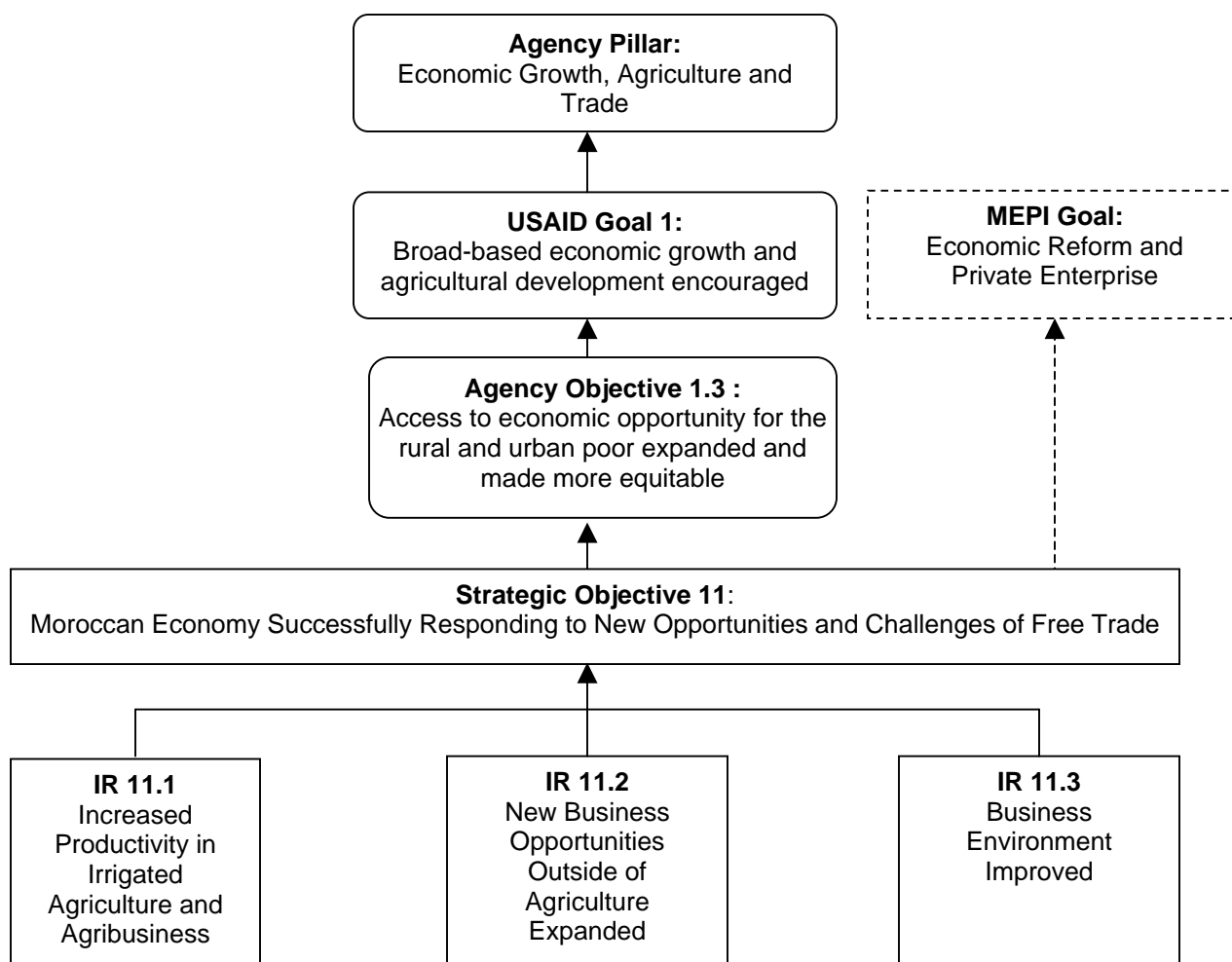
USAID/Morocco Country Strategic Plan 2004 – 2008 Results Framework



C. Strategic Objectives

1. Strategic Objective 11: Moroccan Economy Successfully Responding to New Opportunities and Challenges of Free Trade (Base scenario)

Summary: This strategic objective helps Morocco respond to the challenges and opportunities of the Free Trade Agreement with the United States by creating jobs and investment opportunities in irrigated agriculture, agribusiness, rural tourism, and other sectors to help offset anticipated losses from reduced protection on domestic agricultural production. The strategic objective is proposed for the five-year period starting in FY2004 and ending in FY2008.



EG

a. Problem Analysis

The implementation of the U.S. – Morocco Free Trade Agreement will lead to major transformations in agriculture and the rural economy. The elimination of tariffs will most likely result in lower margins and reduced production of certain cereal crops, notably wheat, and oil seeds. Offsetting these rural income and employment losses will require a shift toward higher

value-added production in irrigated areas and the creation of new businesses and job opportunities in both rural areas and smaller urban towns and cities.

Low agricultural productivity and agribusiness value added.

Moroccan experts well understand that the country must shift to higher value-added crops in order to increase agricultural productivity and incomes. However, protective tariffs, insufficient market development, and the inefficient use of scarce inputs, especially water, contribute to low competitiveness in world markets.

Morocco clearly aims to integrate itself into the global economy, and has already achieved greater openness under the Association Agreement with the European Union. Despite Morocco's commitment to even more liberalization under the US-Morocco FTA, the Moroccan private sector remains remarkably focused on serving traditional markets in Western Europe. Global consumer trends are not monitored and researched sufficiently to identify niche and broader market opportunities for Moroccan producers. Moroccan farmers and agribusinesses do not look beyond traditional Western European markets, and have not effectively progressed up the value-added chain through domestic processing of exportable agricultural products. They are unfamiliar with the U.S. market and have not diversified into countries newly joining the European Union. In addition, short supply periods and volatility in deliveries to agricultural packing and processing plants undermine the return to agribusinesses.

Moroccan farmers and agribusinesses do not look beyond traditional Western European markets.

Within the Moroccan economy, agriculture accounts for 15 to 20 percent of GDP, and 40 percent of employment. Agricultural products also account for 25 percent of Morocco's export earnings. Annual exports of fresh, frozen, and processed fruits, vegetables, and nuts total slightly less than US\$1 billion. More importantly, the agricultural sector has strong linkages to the rest of the economy. It has an important influence on overall economic performance.

Although rainfed agriculture accounts for 84 percent of the total cultivated area, it contributes only 42 percent to the total value of crop production. Agriculture in the rainfed areas is characterized by low productivity and large fluctuations in production due to low and highly variable rainfall. By contrast, the contribution of irrigation to Moroccan agriculture is striking. Irrigated crops account for only 16 percent of cultivated area, but represent 60 percent of value-added from crop production. Except for olives, virtually all of Morocco's agricultural exports are grown on irrigated land.

Virtually all of Morocco's agricultural exports are grown on irrigated land.

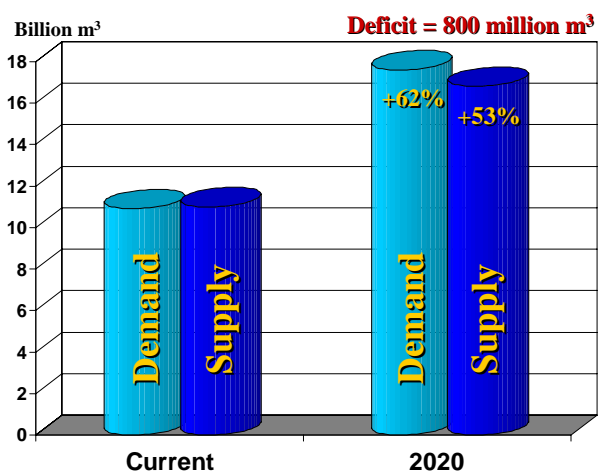
Employment in irrigated and rainfed areas shows a pattern similar to that of the value of agricultural production. More than 75 percent of the value-added of labor in crop production is attributed to employment in irrigated areas. This implies that slightly more than one-quarter of total employment in Morocco is engaged in jobs on irrigated lands. The intensive nature of irrigated agriculture generates

More than one-quarter of total employment in Morocco is engaged in jobs on irrigated lands.

many times more jobs per unit of land than extensive rainfed agriculture. In addition, irrigated areas produce a range of crops with labor-intensive forward linkages. It is estimated that the processing, packaging, and other activities involved in vegetable and fruit marketing and trade create at least as many jobs as the number needed on the farm. Indeed, when considering production and employment, irrigated agriculture constitutes the backbone of Morocco's rural economy and even has strong linkages with urban-centered processing and packaging industries.

However, the transformation of Morocco's agricultural base toward higher value-added production in response to free trade is limited by water availability and the current inefficient use of this scarce resource.

BALANCE OF WATER RESOURCES IN MOROCCO



The demand for water is expected to grow by 62 percent by 2020 given current patterns of utilization. Shifts in cropping patterns toward crops that have export potential and away from cereals could add further pressure on water resources. Higher value-added crops typically demand better water management. Water scarcity is exacerbated by inefficiencies in water use in agriculture, particularly by small and medium sized farmers, and includes such practices as: irrigation by flooding of fields, wasteful pivot irrigation systems, elevated evaporation losses from open canal conveyance of water,

poor timing of water release in relation to farmer and plant growth needs, as well as poor economic demand management. These practices all contribute to water wastage and result in poor productivity from irrigated agriculture.

The current irrigation infrastructure and on-farm water delivery systems need to be reconfigured, as does the way water is valued. Investments at both the system and on-farm levels will be required in order to realize a shift to water-saving irrigation technologies, and different, higher value-added cropping patterns. Further transformation of the agriculture sector is constrained by a reluctance and/or inability of the workforce to adapt to new market opportunities.

New non-agricultural business opportunities are not being explored.

While better exploitation of Morocco's comparative advantage in the production and processing of high value horticultural crops will increase productivity and create new jobs, it will not be sufficient to absorb all those workers that might be displaced from grains production, nor will it productively employ all new entrants into the labor force. Morocco must also create new jobs in the industry and services sectors. To do this, the Moroccan private sector will need to develop new markets and new products and improve quality and productivity. In other words, the Moroccan private sector needs to move up several rungs on the competitiveness ladder.

A good example of a sector in which Morocco has unexploited potential is tourism. Although tourism is one of government priorities, the country has not yet tapped into the fastest growing component of world tourism: eco/adventure tourism. Outside of beach destinations and imperial cities, tourism products have been little developed or marketed. In rural areas, the workforce lacks the behavioral and job skills for hospitality services, guiding, and provision of recreational services. Worldwide, estimates are for every 8 to 10 tourists, one job is created. In rural areas, this number is probably closer to 6-7 tourists per job.

The general business environment and economic governance have only partially adapted to the needs of an open, competitive economy.

Although Morocco has made great strides in improving its overall business environment, particularly in the areas of macroeconomic stability, infrastructure development, and customs clearance, it continues to lag behind its competitors in simplifying investment procedures, developing its workforce, and ensuring access to finance for the small businesses that make up 80 percent of the economy.

Substantial progress has been made in commercial law reform, easing new business registration processes, and improving the competence of the separate judiciary that now treats commercial law cases. However, lack of transparency, uncertainty about the outcome of legal processes, and a perception that similar cases are not treated equally still discourage investment, and impede the development of bank finance. Opaque provisions governing the protection and enforcement of minority shareholder rights discourage investment. Further reform is required to provide greater surety to investors, both foreign and domestic.

Lack of transparency, uncertainty about the outcome of legal processes, and a perception that similar cases are not treated equally still discourage investment.

At both the national and regional levels, Moroccan agencies are unable to promote effectively the attributes Morocco offers to investors. Targeting of sectors and identification of prospective investors is weak. Without strengthening of investment promotion capacity, opportunities offered by the completion of the FTA may be foregone.

High labor costs and inadequate training limit the competitiveness of the workforce.

Policy and institutional issues plague Morocco's education and workforce development system and the effective working of the labor market. High mandatory levels of employer contributions to pension and health insurance raise wage costs in Morocco relative to competitor countries and to the cost of capital. Their effect is to reduce Moroccan international competitiveness and encourage the use of capital in the place of labor. Labor code provisions with respect to temporary workers and layoffs act as further disincentives to the hiring of labor vis-à-vis the use of capital. However, the Government is taking steps to revise the labor code to produce more flexibility in labor markets.

High labor costs and rigid labor code provisions in Morocco relative to competitor countries reduce Moroccan competitiveness.

In addition, public sector institutions dominate workforce training, receiving little competition from private sector institutions. Yet such public institutions are funded largely by a 1.6 percent professional training tax levied on wages, and contributing industries have insufficient voice over the governance of these institutions and the programming of their offerings.

Morocco's educational and workforce development system is overly centralized and rigid. The inefficiency of the current system is demonstrated by low rates of access, retention, change, and onward placement. The low quality and relevance of the education offered are root causes of this poor performance. In particular, courses of study are not effectively aligned with the development and economic needs of the rural community. Institutions set up to provide training for the agricultural workforce are not equipped to keep up with the demands of a rapidly changing agriculture and agribusiness sector.

Institutions set up to provide training for the agricultural workforce are not equipped to keep up with the demands of a rapidly changing agriculture and agribusiness sector.

Farming techniques reflect the human resource base and are typically traditional. Most Moroccan farmers are illiterate. In rural areas, the average age of the head of the household is 52 years old. Thus, the scope to adapt to new opportunities and technologies is constrained. Women are an important part of the workforce, especially in planting, harvesting and agro processing. Yet their levels of educational attainment and exposure to skills training are typically the lowest. Hence, their inclusion into education and training programs must be a priority. For the emerging, new generation of farmers-to-be and employees in higher value-added agribusiness and agro-processing industry, education and training is inadequate. Workforce skills need to be developed to apply the technology used in more efficient irrigation and cultivation systems, and to meet quality and product standards.

Limited Finance for Small Business.

Morocco has implemented a major program of financial reform. However, results have been disappointing. Banks are highly liquid, heavily invested in Moroccan treasury issues, and prospect little beyond their customary, well established clients.

Small businesses are underserved. Liens and guarantees on fixed and moveable assets, working capital, and owner off-balance sheet assets are all typically required before any bank credit is made available. Such multiple undertakings from the borrower increase transaction costs to both the borrower and banks and depress the availability of credit. Lack of predictability in work out and bankruptcy proceedings may also account for some of the reluctance of banks to extend credit to small borrowers. This lack of articulation of Morocco's financial sector impedes development of small businesses.

As for microfinance, the industry developed rapidly beginning in the early 1990s and has now reached about 200,000 outstanding loans from a dozen institutions. Two larger institutions, one of which has received substantial USAID support (Al Amana), are the predominant players. To ensure its future growth and sustainability, however, the industry urgently needs to: expand its

customer base (e.g. there are few loans made in rural areas where the impact of the FTA will be greatest); diversify product offerings beyond traditional group credits; share credit information on borrowers; and address weak corporate governance.

b. Rationale

Morocco's leaders have over a decade made clear their intent to integrate the Moroccan economy into the global economy. In hosting the final sessions of the Uruguay Round of global tariff negotiations, Morocco signaled this commitment to the world at large. Morocco is a third of the way through implementation of its Association Agreement with the EU which will create free trade in manufactures. Conclusion of a Free Trade Agreement with the United States, which will include agriculture and services, will further Morocco's integration into the global economy. Morocco is also expected to conclude an agreement with the EU on opening agricultural trade.

The Free Trade Agreement with the United States will open new business opportunities for Moroccans in a variety of areas, but exploiting these opportunities as well as those for increasing foreign investment will necessitate greater efficiency and improved competitiveness in the agriculture sector, greater familiarization with the U.S. market, and improvements in the transparency of Moroccan investment procedures and equity of treatment of judicial cases.

c. Strategic Objective and Impact Measurement

This strategic objective will help Morocco respond to the challenges and opportunities of the Free Trade Agreement with the United States by creating jobs and investment opportunities in high value-added products, agribusiness, and rural tourism and other sectors to help offset anticipated losses from reduced protection on domestic cereal production. The program will promote job creation and investment opportunities by increasing agricultural productivity and agribusiness potential, fostering the development of non-farm alternatives, and improving the general environment for business and investment through improved governance and workforce skills development.

This strategic objective will create jobs and investment opportunities.

The success of the economic growth SO will be measured by the following illustrative indicators, which will be finalized following approval of the strategy:

- Diversification and growth of trade with the U.S.;
- Investment flows;
- Jobs created.

d. Intermediate Results, Illustrative Activities, and Indicators.

IR 11.1 Increased Productivity in Irrigated Agriculture & Agribusiness: USAID will assist the Ministry of Agriculture to formulate policies and programs to assist Moroccan agriculture to make and adjust to needed transformations, shifting cultivation to higher value-added crops, and reconfiguring irrigation systems accordingly. Illustrative activities include:

- Working with the Ministry of Agriculture to make water allocation policy decisions based on the economic demand of water and its opportunity cost.
- Developing better and more timely systems for providing information on water supply within irrigation systems to help improve water delivery when and where it is needed by farmers. This assistance will be targeted primarily at the national level, but its application will be targeted to selected irrigated perimeters where cereals are grown.
- Assisting small-holder farmers who are members of water user associations to invest in more efficient on-farm irrigation such as drip irrigation.
- Developing and integrating training modules for the curriculum of agricultural training institutes. These modules may include issues such as converting from traditional crops and cultivation techniques to higher value-added crops and more modern (including organic) practices, assessing and tapping into new market opportunities, and using efficient irrigation practices.
- Training private sector agribusinesses and associations in identifying new market prospects and product development opportunities.
- Assisting Moroccan exporters to meet sanitary and phytosanitary standards and conform to organic labeling norms under the Free Trade Agreement.

USAID will assist Moroccan agriculture to shift cultivation and reconfigure irrigation systems.

Indicators:

- Value of selected agribusiness sales and exports;
- Number of water user associations adopting drip irrigation;
- Water use efficiency statistics.

IR 11.2 New Business Opportunities Expanded: USAID will help Moroccans develop new, non-farm business opportunities resulting from free trade. In addition to the agribusiness opportunities which are addressed under the first intermediate result, diversifying tourism is an important business opportunity to be developed under this intermediate result. Other rural business opportunities will also be explored. USAID will work through business associations and related clusters to assure maximum impact. Illustrative activities include:

USAID will help Moroccans develop new, non-farm business opportunities resulting from free trade.

- Strengthening the ability of local organizations, to conduct market research and launch promotional activities.
- Developing promising tourism circuits in rural areas that begin from Morocco's gateway cities.
- The MEPI-funded program with the International Executive Service Corps will focus on new business development in labor-intensive manufacturing and service sectors other than tourism.

Indicators:

- Sales of rural tourism packages to overseas tour operators;
- Investments in eco-tourism;
- Number of non-farm businesses created.

IR 11.3 Business Environment Improved: USAID will improve governance and strengthen workforce skills to meet the opportunities and challenges of free trade. The program will foster an improved business environment by promoting more simplified and transparent investment procedures, enhancing the transparency of economic and corporate governance, strengthening the skills of the workforce, and improving access by small business to finance. This component of the program will reinforce IRs 11.1 and 11.2. Illustrative activities will include:

USAID will help simplify investment procedures, improve governance, strengthen workforce skills, and increase access to finance.

- Assistance at both national and regional levels to help Morocco better market the country and specific regions as primary investment locations.
- Help regional investment centers to create public-private partnerships that address regional constraints to investment and growth.
- Assistance at the national level to update existing laws, procedures, and improve legal and judicial practice in key commercial law areas that enhance transparency for investors.
- Build partnerships or clusters among communities, educators/trainers, entrepreneurs, farmers, and professional associations for developing and implementing training modules for high-school agricultural training centers, hotel and tourism training centers, and other workforce development programs that reflect community needs.
- Updating laws, regulations, and business lending practices so as to reduce the systemic risk of small business lending.
- Working with the Microcredit Federation, develop new microcredit policies and products that will help the rural population respond to agricultural restructuring and the development of business opportunities.
- Strengthen the ability of microcredit institutions to assess credit risk.

Indicators

- Business perceptions of transparency and responsiveness of courts and investment authorities;
- Number of regional public-private partnerships;
- Number of student placements in the workforce or in subsequent level training institutions;
- Volume of micro and small business credit going to new sectors (e.g. rural tourism, small agribusiness, water user association members).

e. Beneficiaries

The strategy focuses on individuals and groups who will need to adjust to the more liberalized trading environment engendered by the FTA. It includes farmers who will need to shift out of cereals production and adopt new technologies to become more efficient, and agricultural laborers who need new skill sets either for higher technology agricultural jobs, or new jobs in other sectors, like tourism, processing, or labor intensive manufacturing. Targeted groups also include members of the business community, who will be the leaders in the creation of new job opportunities in industry and service sectors. A special focus of the strategy will be on

adolescent men and women, who will need new skills and habits for remunerative and rewarding careers in all fields.

f. Geographic Focus

Policy-based activities, such as commercial law development, planning assistance in agricultural transition, and promotion of an economic calculus in water allocation decisions, will take place at a national level.

Project activities in regional investment promotion, finance, extension of water saving irrigation technology among water user associations, workforce development, and rural tourism will be regionally- and locally-based.

In selecting regions in which to undertake these project activities, USAID will apply the following criteria:

- Builds on past success and investments;
- Supports the maximum number of inter-connecting elements of the strategy;
- Presence of a major irrigation perimeter with active water user associations and substantial room for water efficiency improvement and potential to shift to high value-added crops;
- Clusters of agricultural training institutes from post-middle school to institutes of higher learning in agriculture, large scale commercial as well as small scale family farming and agro processing industry;
- Active regional investment center;
- High levels of rural poverty and expected severity of impact from transformation in agriculture away from cereals;
- Complementarity with other donor activities;
- Presence of microcredit programs assisted by USAID;
- Favorable rural tourism potential and tourism training infrastructure.

g. Comparative Advantage

USAID's activities to improve agricultural productivity will build upon years of prior work in developing Morocco's agricultural sector in interventions that spanned basic research, development of agricultural institutes of higher education, advanced training in agricultural economics, water management and irrigation efficiency, and agribusiness market development. Experience gained in introducing water saving delivery techniques and integrated water resource management in USAID funded projects will be used to extend programs for improving efficiency in irrigation water use. Morocco's agro-climatic conditions resemble those of California and the Southwest, and the United States is recognized as a world leader in agro-processing and irrigation technologies. On the basis of this experience, USAID can be said to have a clear advantage over other donors in these areas.

While donor activity in irrigated agriculture is substantial, it is for major infrastructure and its management, not helping small farmers implement water efficiency measures on their plots.

Other donors are not active in agribusiness. Major EU assistance is focused on helping Morocco adjust to the EU trade agreement and is largely devoted to firm level assistance and workforce training in the manufacturing sectors of textiles and apparel, and computer/telecommunication services.

Compared to other donors, USAID can provide better knowledge about how to sell to the U.S. market under the FTA. In terms of developing new business opportunities in tourism, USAID has already developed excellent relations with the Ministry of Tourism and regional tourism associations under the current rural tourism project. Other donor assistance in tourism is going to some of the large hotel schools, but is not focused on the skill sets required for tourism in rural areas.

USAID work on charting administrative and legal obstacles to realizing investments in Morocco laid the groundwork for simplified procedures for new business registration. Much valued on-going assistance to Morocco's commercial court system and commercial law development give USAID a firm base upon which to assist Morocco in improving transparency, predictability, accountability, and equity in commercial law provisions, and in their implementation and enforcement.

USAID has a very deep history in Morocco in agricultural workforce development. Many of the 500-600 people trained in US institutions currently staff agriculture-related training institutes, universities, ministries, and industries in Morocco. Past girls' education programs have given USAID knowledge of the GOM's education system, curriculum development, and staff training. Workforce development in agriculture is little touched by other donor efforts in the country. The World Bank, European Union, Germany and Belgium focus very heavily on support to the "Office de la Formation et de la Promotion du Travail (OFPPPT)" in their workforce development programs.

USAID is the premier donor in developing Morocco's microcredit institutions. It has well established relations with all existing microcredit institutions and is thus well positioned to explore how they might develop products and services for small businesses. The International Finance Corporation (IFC) is developing a thorough program with selected banks to develop their interest and capacity for serving small and medium enterprises. Close collaboration with the IFC offers opportunities for USAID to provide selected assistance for development of small business finance instruments.

h. Assumptions

Achievement of this economic growth strategic objective is dependent on an array of macro level conditions. The assumptions listed below are those thought to be critical to achievement of this strategic objective and address conditions that are well beyond the direct influence of this strategic objective:

- Political transitions take place without civil disturbance;
- Internal security is maintained;

- Exchange rate management maintains competitiveness of the dirham vs. the currencies of competitor countries in key export markets;
- The Free Trade Agreement between the United States and Morocco is successfully negotiated;
- Morocco's financial sector extends finance to projects developed in response to opportunities created by USAID interventions and the FTA;
- USAID supported interventions are copied in other regions and localities, causing broad, national impact.

i. Relation to Other SOs

Under the base option, the Economic Growth Strategic Objective would be the only SO in the Mission program.

Should additional funding be made available for a basic education SO there would be very strong interlinkages and reinforcement. Far larger and better prepared flows of students completing middle school would enhance the quality of students entering workforce training establishments. Better linkages between the middle schools and agricultural, tourism, and other training schools would expand the possibilities for girls to receive workforce training. There would also be opportunities for the economic growth activities to support local content curricula development in middle schools, thus enhancing the local relevance of middle school education and better preparing graduates for opportunities for further training or entry into the workforce.

Should additional funding be made available for a democracy and governance SO, the economic growth strategic objective would have strong linkages with the DG themes of transparency, accountability, and equity. Good governance promotes investment, economic growth, and job creation. Linkages would exist in such areas as improving the implementation of commercial law and investment promotion in a more transparent and equitable manner, and enhancing equity and accountability in water user associations.

j. Donor Coordination

Other donor assistance is largely complementary to the program proposed in this strategy. The World Bank and EU have large programs in overall judicial reform: USAID is targeting the separate commercial court system. French, Spanish and EU support for rural road construction and electrification as well as a proposed World Bank loan for rural development in rainfed areas all complement USAID strategy interventions in irrigated agriculture thereby assisting rural areas adjust to the transition that reduced protection to Morocco's cereals sector will engender. USAID's help to develop rural tourism will diversify and extend the Moroccan tourism product thereby increasing the return donors will realize from their assistance to tourism schools. Other donor support for irrigation is largely devoted to development of new irrigation perimeters or rehabilitation of existing systems. These donor investments present an opportunity for USAID interventions to leverage changes to irrigation water delivery systems to further improve water use efficiency. The EU and individual European countries have major programs to help the manufacturing sector modernize and to improve related workforce skills. Agriculture and

agribusiness are not included in these interventions, and USAID will be the only donor operating in these areas.

k. Illustrative Contingency Projects with Additional MEPI Funding

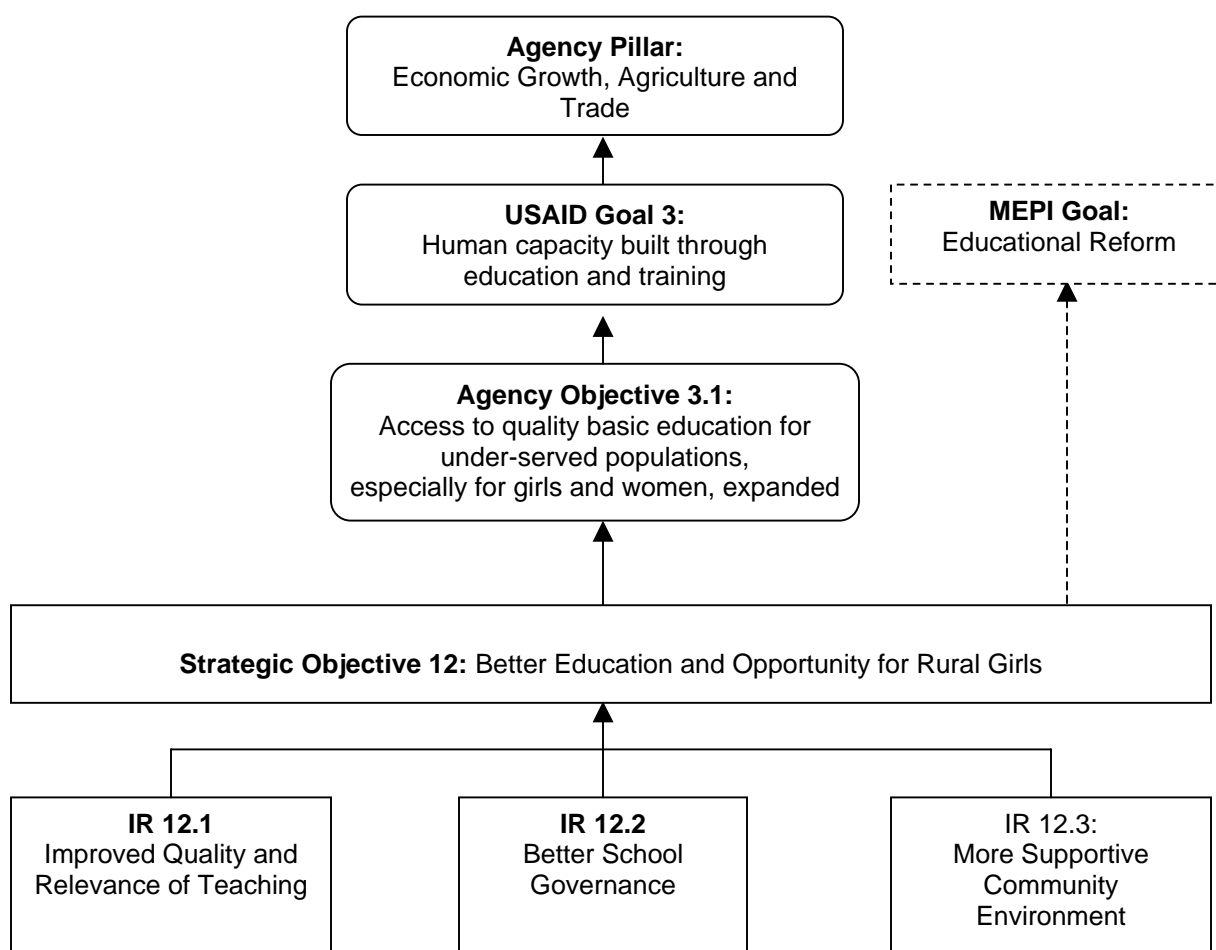
Competitiveness assistance to small and medium enterprises in the industry and services sectors would be a high priority. Such assistance would most probably be delivered through the International Executive Service Corps cooperative agreement, which is expected to receive funding for the initial year of a proposed three year program out of FY 2002 MEPI monies.

Given the constraints in small business financing, additional MEPI funds could, if properly channeled, make very positive contributions in the introduction of sound lending practices for small business clients. Such funds could be used either to guaranty loans to small enterprises or as risk capital for the creation or expansion of specialized small business financial institutions, along the lines of the very successful models developed by the Polish American Enterprise Fund and Shore Bank.

2. Strategic Objective 12: Better Education and Opportunity for Rural Girls (Medium Scenario)

REPLACED BY REVISED SO 12

Summary: Building on successes achieved by USAID in primary education for girls, this strategic objective (SO) will improve the quality, relevance, and efficiency of upper primary school and middle school education for girls, giving them the opportunities to acquire the skills and training necessary to be competitive in Morocco's changing economy. This program will directly contribute to achieving the MEPI goal to: "expand access to and enhance the quality of basic formal education, particularly for girls." This strategic objective is proposed for the five-year period starting in FY2004 and ending in FY2008.



a. Problem Analysis

Girls in rural Morocco are not getting access to and completing basic education (grades 1 through 9). When they do gain access, they are not receiving the knowledge, skills, and experiences that prepare them for an equitable and productive role in society. While girls'

enrollment rates are high in the lower grades, retention rates start falling in the higher primary grades, in particular as they reach grade 5. The low quality and relevance of the education provided compound low access and retention throughout the nine years of basic education. Courses of study are not effectively aligned with the development and economic needs of the rural community. This misalignment generates negative feedback about girls' education and a disincentive to the families and community to pursue education for girls.

Unfortunately, families and the community lose all of the potential benefits that are generated by girls' education. Lessons of the past decade clearly demonstrate that devoting resources to girls' education is one of the best investments any society can make. Educating girls supports, inter alia:

1. Protection of their human rights and an improved quality of life;
2. Greater participation of girls and women in leadership and decision-making roles;
3. Real and significant reductions in national levels of poverty;
4. Increased ability of girls to protect themselves from HIV/AIDS and other diseases, sexual violence, economic exploitation, poverty and hunger;
5. Later marriages, smaller family size, reduced maternal mortality and healthier and better-nourished children;
6. Increased household income and resources spent on children.⁶

Compounding this deficiency is Morocco's failure to fully realize its commitments to rural children, especially girls, under the Education for All (EFA) initiatives. Morocco is at risk of not achieving the EFA targets by 2015. Furthermore, this pattern is indicative of a nation that has not yet fully realized and planned for the changes in the rural areas that will result from a Free Trade Agreement with the USA. According to the USAID/Morocco Workforce Development Assessment, "experience with trade liberalization around the world has shown that increased integration with world markets shifts labor demand in favor of higher- rather than lower-skilled workers."⁷

Access to middle school (grades 7,8,9) is difficult for girls, especially in rural areas. The national net enrollment rate in middle school is 29 percent for girls, 31 percent for boys. In rural areas, this rate falls to 7 percent for girls, and 12 percent for boys⁸.

The 2003 USAID Workforce Assessment found that the education and training sector in Morocco suffers from 85 to 90 percent of rural students dropping out after primary school, an inadequately financed non-formal education system, and professional training institutions that limit access to youth who are 15 years and older. The result is a 'missing middle' of young (between 12 and 15 years) who are neither educated nor trained enter successfully the workforce.

Morocco suffers from a 'missing middle' of the young who are neither educated nor trained to successfully enter the workforce.

⁶ A New Global Partnership Meets an Old Global Challenge. Girls 'Education Initiative United Nations. United Nations 2000.

⁷ Education Development Center. Morocco Workforce Development Assessment. April 2003.

⁸ MNEY statistical Yearbook for 2001/2002.

To meet its full productivity potential Morocco must invest to ensure that more rural girls make it through the education and training that will enable them to take advantage of opportunities and fully contribute to society. *The system must get them all in, keep them all in, change all of them with relevant instruction and practice, and place them in a higher level of education, or in the labor market.* Completion of basic education (grade 9) provides the crucial foundation for a life of opportunity.

The minimum education requirement for access to public and private professional training programs is middle school. It is currently the choke point blocking the input to workforce development. Middle school must produce a reliable and sufficient number of graduates to ensure adequate trainable workforce flow for Morocco's future.

The provision of education is inefficient. The system is not producing enough graduates. The external inefficiencies are being addressed by the mix of decentralization and the provision of senior level management training by other donors. However, there is a need for improvements in internal efficiency through management training of local middle school directors. The evidence of USAID's Morocco Education for Girls (MEG) project shows that director training (in management and social mobilization) does raise the internal efficiency of the school as shown by higher access, retention, and transition rates. The girls' 6th grade enrollment ratio in the 2002/2003 school year was 43 percent in the USAID-assisted schools, six percentage points higher than the national rural average. Given the recent endorsement by the Ministry of National Education and Youth (MNEY) of the USAID-developed training materials as the material of choice, more primary school directors will be trained to improve school efficiency.

In addition to the internal inefficiency of the primary and middle schools that causes girls to drop out, poverty and the lack of dormitory space withhold many girls from accessing middle school or even completing primary school. The closest middle schools are located near small towns, often too far away from the girls' home for her to be a day student. Few schools have dormitory space for girls, and when available, standards and security are inadequate to allay parents' concerns. Parents need reassurance before they will allow 12-year old girls to move away from home. Providing a secure and safe place to live and study removes a major barrier to middle school attendance for rural girls.

b. Rationale

Investment in middle school education safeguards and increases the return on previous investments at the primary level.

USAID invested \$13 million under the SpO 8. A substantial part of this went to the development of 18 primary-level training modules, in Arabic, on topics such as school management, student-centered learning, equity in the school, PTA training, social mobilization, strategic planning for education planners, and computer training. The majority of these modules have been adopted for national use by the MNEY. Over the past few months, the European Union, the World Bank, and JICA have committed to using these materials for the primary school training that they support. The Canadians are scaling up a large education program and have also expressed a keen interest to use the same materials and approaches.

There is no better testimony to the success of the deep partnership established between USAID and MNEY than central ownership and national spread of the fruits of a joint effort. This wide acceptance and spread of the materials developed by USAID not only jumpstarts programs across the country, but it also provides much needed standardization of training content. Perhaps most importantly, it has crystallized USAID's role as the lead developer and field tester of new materials and processes. With a limited budget, USAID can have little direct influence in Morocco's 18,500 primary schools beyond what the MNEY and other donors will be doing. However, it can have tremendous impact by paving the way for better education at the next level. This effort can begin quickly with a very cost efficient modification of the material already developed.

As the central theme of the new program is to encourage increased opportunity for girls in the rural areas, increasing the number of girls going through grades 1-9 becomes crucial. As one of the key roadblocks to the flow of students through the system is in grades 5 and 6, USAID will continue its involvement in primary but focused on the upper grades. USAID's role as developer of new materials and processes will also be applied to demonstrating solutions to the issues around the bridging between fifth and sixth grade retention and the improvement of transition levels into middle school.

Another USG investment totals \$1 million in girls' homes, allowing girls from rural primary schools to attend middle school. This USG investment in partnership leverages funding from American and Moroccan firms and in-kind contributions from the Moroccan public sector, and helped the Moroccan Girls' Scholarship NGO establish a viable and culturally acceptable approach to the shortage of housing for rural girls attending middle school. The project also demonstrates that "parents were willing to send their daughters to primary school if they believed that the girls could continue to middle school. If this possibility did not exist, then parents were reluctant to send their daughters to a primary program from which they emerged neither educated nor skilled in the housework they would otherwise have learned at home."⁹ The "scholarship for success" program is a formula that works, has an important role to play, and can manage expansion.

Basic education is the foundation for lifelong learning and opportunity.

The minimum level of education that can provide a foundation for the active citizen in Morocco is through grade 9. As a foundation, it is essential that the initial educational investment made is sustainable over a girl's lifetime. Lifelong learning¹⁰ depends upon an effective and efficient system of basic

The greatest ambition of the poor is to have the problems of the middle class, and the knowledge, skills, experiences needed to turn them to their advantage.

⁹ Andrea Rugh and Lorelei Bush, "Lessons Learned from the Girls' Education Activity in Guatemala, Morocco, and Peru." American Institutes for Research. March 2002.

¹⁰ A memorandum on lifelong learning.- Brussels: Commission of the European Communities, 2000. ;The economic dimension of education and training in the Member States of the European Union: European Year of lifelong learning 1996, Brussels: European Commission, 1996; Life Long Learning in the Global Knowledge Economy: Implications for Developing countries. HDN World Bank Draft May 2002.

education. While primary education provides the toolbox and confidence in using it, middle school introduces its application and mastery. Grades 7, 8, and 9 establish the foundations for secondary education, skills training, and the workplace. Once past the threshold of a middle school education (at the age of 15), opportunities in public and private technical training institutes, formal academic advancement and legal jobs open up for young Moroccans. This fact is recognized by the Moroccan "National Charter for Education and Training" (Chapter II, paragraph 26), which stipulates "compulsory school from the age 6 to 15 wherever conditions can be met". USAID's proposed education program will help Moroccan youth move beyond the problem of "the missing middle".

Education and Productivity are linked.

For the Free Trade Agreement to be successful in providing economic security, education and productivity must be linked. Increasing the human resource pool with at least a middle school education will provide a greater number of young Moroccans with the opportunity to enter skill training programs and develop portable and transferable skills that will be required to be competitive in Morocco's changing economy.

c. Strategic Objective and Impact Measurement

The Objective "Better Education and Opportunity for Rural Girls" contributes to achieving the MEPI Education Reform goal of "expanding access to and enhancing the quality of basic formal education, particularly for girls". This SO will be primarily achieved through an integrated approach that aims at improving the quality, relevance, and efficiency of middle school education. In addition, it will work to increase the number of girls transitioning into middle school by piloting ways to overcome retention issues in the last two years of primary school.

USAID will improve transition, enrollment and completion in assisted schools.

Middle schools targeted by this SO include rural middle schools and their "annexes", which are additional grades 7 and 8, some of them physically located at rural primary schools, but that are under the supervision of the middle school director. These "annexes" also provide an opportunity to promote increased primary school completion through the presence of middle-school students who serve as both role models and mentors. That the last year must, in all circumstances, be spent in the actual middle school, means that parents are only concerned about sending their daughters away for one year of middle schooling instead of three.

Improved quality and relevance will be obtained through materials development and teacher training. Improved efficiency will be achieved by introducing and strengthening school governance through management and leadership training. Furthermore, building networks between providers and receivers of education will create a rural education community which will ensure that rural girls and boys complete the primary and middle school cycles with portable and generalizable skills. The education community will also ensure that safe housing is made available for girls applying to middle school through the "scholarship for success" program and that information on housing is communicated appropriate.

The success of the education program will be measured by the following illustrative indicators, which will be finalized following approval of the strategy:

- Girls/boys enrollment ratio in 7th, 8th and 9th grade
- Girls' completion rate in assisted middle schools
- Girls' completion rate in assisted primary schools

d. Intermediate Results, Illustrative Activities, and Indicators.

IR 12.1 Improved quality and relevance of teaching: USAID will improve student retention of the assisted schools. USAID will develop supplementary teaching materials, in Arabic, and train teachers in gender-sensitive, student-centered methodologies, in the development of locally relevant curricula, and in how to teach critical thinking. As under the USAID MEG Activity, the materials development and teacher training process will include inspectors and other relevant and qualified MNEY staff from the appropriate national or regional level in order to broaden the impact of the program. In particular, faculty of the Regional Pedagogical Centers (teacher training centers for middle school) and regional staff in charge of oversight for curriculum relevance and teacher training.

USAID will improve student retention at assisted schools.

The introduction of information technology (IT) is a priority of the MNEY. Experience shows that the distribution and use of the equipment is uneven. To assure the use of the equipment, development of much needed skills and full use of materials already developed under SpO 8, USAID anticipates complementing the MNEY efforts in the assisted middle schools and teacher training institutes as needed. This could include a limited purchase of equipment, but will focus primarily on training activities. Two computers for basic after-school training in each home are already part of the scholarship program.

Illustrative activities:

- Development/adaptation of supplementary teaching materials in selected subjects
- Teacher training in the use of materials
- Teacher and/or faculty training in applying methodologies for the development of local teaching materials
- Teacher and/or faculty training in the use of IT
- Development of relevant local curriculum

Indicators:

- Local curriculum developed and in use
- Teacher training modules developed/finalized/validated
- Teachers trained and applying new skills in the classroom
- Training modules disseminated
- Teacher Training Center faculty trained and applying new skills

IR 12.2 Better School Governance: USAID will provide school directors with leadership, management, monitoring, communication, and outreach skills. The school director is the interface between the community and the educational program delivered in the classroom.

He/She must be able to ensure the quality of instruction and management of the establishment, and to strengthen the link between middle school and subsequent education opportunities and/or the workplace. Recently promulgated legislation further increases their responsibility by making them accountable for efficient and effective delivery of education in response to the needs of the community. By this new law, a school director must chair a School Management Council (SMC) comprised of representatives from the school staff and the community. The council will be responsible for the development and implementation of annual school action plans. The themes of transparency, accountability and equity will be included in the training for school directors.

USAID will improve school governance by school directors and School Management Councils.

To encourage professionalism and participation, members of the SMC and the school oversight unit of the related Regional Academy will also have access to similar training. The SMC will be encouraged to apply information-sharing skills by communicating options for higher level education, skills training, or employment to the middle school students, in collaboration with student counselors. IR 12.2 focuses on better school governance from within, while IR12.3 brings the outside perspective into the school, thus enhancing relevance and effectiveness.

Illustrative activities:

- Adaptation of school management training materials, as developed under MEG, to the middle school level.
- Training of Directors in school management.
- Training of SMC members and selected Regional Academy staff in basic management and performance monitoring.
- Building/Strengthening linkages between the SMC and Regional Academy.
- Develop training materials in student counseling and train counselors in the use of materials.

Indicators:

- Training modules finalized and validated by the Regional Academy
- School directors trained and applying new skills
- SMC trained in management and performance monitoring
- School action plans in place and operational
- Student-orientation sessions conducted for future opportunities

IR 12.3 More Supportive Community Environment: USAID will foster active collaboration between providers and receivers of the education product. Activities will build a dense network of relationships to sustain the quality and relevance of the education system and to build a voice of advocacy in the emerging democracy. Adopting Michael Porter's cluster idea, the SMC will become the center of a "rural learning cluster" involving local parents, teachers, students, and associated public and private institutions to ensure community participation in the delivery of relevant educational services.

USAID will create partnerships to ensure community participation in and ownership of education service delivery.

As an incentive for participation, cluster members will be able to benefit from training in basic management, monitoring, and evaluation. In addition, members may benefit from literacy training organized in collaboration with the national MNEY campaign. Activities will bring the community into the schools and involve it in activities that promote the middle school as an attractor to its feeder primary schools. The SMC-led rural learning cluster will be tasked with the coordination of the girls' scholarships. The local association managing the girls' home will be a cluster member.

Illustrative activities:

- Building a dense network of relationships among providers and receivers of education.
- Basic management and team building training for cluster members
- Literacy training as identified by cluster members
- Facilitate meetings of the rural learning cluster

Indicators:

- Network membership and mandate in place
- Number of members trained in basic management and team building
- Number of meetings of rural learning cluster
- Number of community members trained in literacy and numeracy

e. Beneficiaries

Direct Beneficiaries:

- Rural girls enrolled in the 25-35 assisted schools and annexes (approx. 12,000).
- Middle school teachers who will benefit from supplementary materials and related training (approx. 500).
- School directors in the assisted schools and their annexes who will benefit from management training (approx. 50).
- Regional Teacher Training Institute faculty who will participate in materials development and who will use the new materials in teaching teacher-trainees (approx. 600)
- SMC members who will receive training in basic management, and performance monitoring (approx. 1,500).

Indirect Beneficiaries:

- Provincial and regional professionals in the education planning and implementation process.
- SMC-led rural cluster members.
- Primary school girls who see middle school role models.
- A larger number of middle school girls, (beyond those in the assisted schools), as best practices are extended within the geographical regions. The success of the MEG project indicates that this is a natural process.

f. Geographic Focus

The SO will assist 25-35 middle schools and their primary school annexes in rural areas in two or three geographic regions that best overlap with site location criteria across the Mission portfolio. Rural middle schools are typically located in or near small towns in rural communes. Graduating students will be looking to the larger-sized towns for higher level education or for employment.

g. Comparative Advantage

USAID has significant comparative advantages in pursuing a rural girls' education project:

- USAID is more experienced than other donors in working at the local level and is the only donor with such a middle school initiative;
- USAID has a major investment of good will and support already in place from the MEG project;
- USAID has gained great credibility at the national MNEY, with local educators and has well-established networks and relationships with communities and NGOs in Morocco.

h. Assumptions

Major Assumptions are:

- That the MNEY is committed to implementing the Charter for Education and Training and the laws that have been promulgated with regard to devolving authority to the Regional Academies for Education and Training, and to school directors.
- That the MNEY lives up to its commitment to making education more responsive to change and relevant to the needs of the communities, the country and, by extension, to opportunities of the global market.
- That the "scholarship for success" NGO and its network are able to keep up with the growing demand for girls' homes as more girls apply to middle school.
- That the economic restructuring from the FTA leads to opportunities for economic growth in rural areas, which in turn will generate more opportunities and resources for girls to pursue education.

i. Relation to Other SOs

This SO is strongly linked to the Economic Growth SO, in particular to the Workforce Development component of that SO. The successful completion of a middle school education is the basic requirement for accessing skills training in Morocco - as well as for other formalized opportunities. This SO is also linked to the Democracy-Governance (DG) SO, as basic education contributes to the establishment of the socio-economic pre-requisites for democracy

and helps create government-civil society partnerships. The DG SO links to the basic education SO in its efforts to bring transparency and accountability into MNEY's operational management.

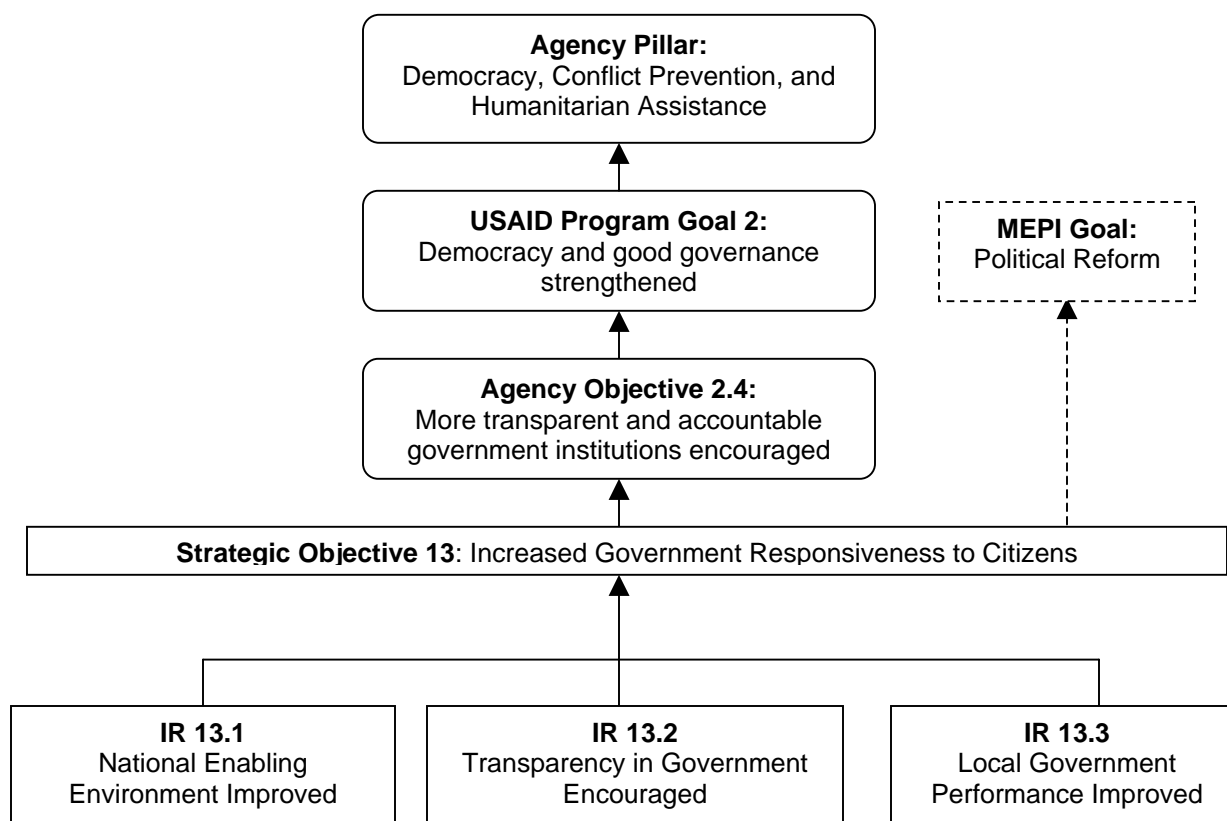
j. Donor coordination

Over the strategy period USAID will continue to play a key role in the quarterly donor coordination meetings for the education sector. Over ten donors are active in basic education as of June 2003, or have planned programs for 2004-2008. But, few focus their attention at the local level in rural areas. The donors that USAID will be working most closely with because of program complementarity are:

- *The Canadian International Development Agency (CIDA)*: its 2003-2010 education strategy is to introduce strategic planning for the reform of basic education at the central and regional levels;
- *French Cooperation*: French assistance aims at improving the management capacity of four Regional Academies for Education and Training and of selected schools in the four regions;
- *European Union*: The EU aims at increasing girls' primary school enrollment, including construction, and to develop education in disadvantaged urban and peri-urban areas;
- *UNICEF*: UNICEF places priority on access to quality education and primary health care for all children (2002-2006) and on combating child labor (Fez and Casablanca);
- *World Bank (Social Priorities Program)*: including construction, rehabilitation and teacher training, ends December 2003. A new project for educational policy reform is anticipated for approval in FY 2005.

3. Strategic Objective 13: Improved Government Responsiveness to Citizens (High Scenario)

Summary: This program is based on the urgent need for the Government of Morocco (GOM) to do a better job of responding to the real needs of its citizens or face the prospect of their looking elsewhere. To be credible, the machinery of governance must be transparent, accountable, and equitable. This provides a viable basis for the growth of democracy. SO 13 strives to support systems that inform central debates and leadership for improvements over the long term while building a partnership between citizens and government to immediately deliver tangible results at the local level. The strategic objective is directly related to the MEPI goals of a) promoting the rule of law and accountable, effective government institutions and b) strengthening the role of media in society. In addition, good governance is a prerequisite for an enabling environment for investment and job creation. This strategic objective is proposed for the five-year period starting in FY2004 and ending in FY2008.


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¹¹ A New Global Partnership Meets and Old Global Challenge. Girls' Education Initiative United Nations. United Nations 2000.

¹² Education Development Center. Morocco Workforce Development Assessment. April 2003.

¹³ MNEY statistical Yearbook for 2001/2002

¹⁴ A memorandum on lifelong learning.- Brussels: Commission of the European Communities, 2000. ;The economic dimension of education and training in the Member States of the European Union: European Year of lifelong learning 1996, Brussels: European Commission, 1996; Life Long Learning in the Global Knowledge Economy: Implications for Developing countries. HDN World Bank Draft May 2002.

¹⁵ Welsh.T. and N. .McGinn.(1999) Decentralization of Education: why, when, what and how? UNESCO. IIEP. Paris. Pp.94

¹⁶ Andrea Rugh and Lorelei Bush, "Lessons Learned from the Girls' Education Activity in Guatemala, Morocco, and Peru." American Institutes for Research. March 2002.

a. Problem Analysis

Within the Arab world the Kingdom of Morocco is the country where the process of political liberalization has been sustained for the longest period of time. Morocco has received kudos over the past year from those who follow closely the evolution of democracy in the Middle East. Mr. Nader Fergany, the Co-coordinator of the UN Human Development Report on the Arab World recently stated, "If I had to single out the Arab countries that come closer to western democracies, I'd point to Bahrain and Morocco."¹⁸

It is significant that the September 2002 parliamentary elections were held on schedule; that the elections by and large were transparent; that 35 women were elected; and that the more traditional party with foundations in political Islam, the *Parti de la Justice et du Developpement* (PJD) was allowed to put candidates forward. It is also significant that the PJD has now become a major player by receiving the fourth largest number of seats in the lower chamber. This surge in support comes from voter sentiment that the PJD delivers on its promise to address the needs of the people.

Good governance is perhaps the single most important factor in eradicating poverty and promoting development.
-UN Secretary
General Kofi Annan

The success of the Islamists is a reminder that government should not be complacent, especially since the widespread perception of the previous Government's leadership as being lackluster contributed to a deepening of citizen apathy. Transition to democracy is highly complex and evolves in ways that are difficult to predict. As pointed out in the USAID's recent 2003 Democracy and Governance Assessment by Payne and Denoeux:

- Absent significant reductions in poverty and higher rates of economic growth, the political achievements of the past decade may be rolled back. Those political forces that tend to benefit from acute social problems and anemic economic growth are also those that are least well-disposed toward the transformation of Morocco into a modern, democratic society.
- Below the surface, many battles are raging that will determine the kingdom's political course. Actors committed to genuine political and economic reforms face stiff resistance from status-quo forces whose vested interests are threatened by steps toward democracy and a more level playing field among economic actors.
- Many liberal, modern-oriented Moroccans feel increasingly caught between, on the one hand, "Islamic fundamentalists," and, on the other hand, "security fundamentalists." In such an environment, significant political backsliding—particularly in the areas of competition and civil liberties—might take on a negative momentum of its own.

Payne and Denoeux, DG Assessment, 2003.

¹⁸ Interview in EL PAIS, Thursday, May 8, 2003

- Within decision-making circles, September 11 has strengthened the hand and heightened the influence of security and intelligence forces. (Note: this is even more acute since the Casablanca bombings of May 16, 2003 became the symbolic Twin Towers of Morocco and brought home a new reality.)

The moderate middle faces its most serious test and must avoid losing ground to reactionary forces. The United States cannot afford to let Morocco's promising political experiment fail. Members of civil society, government and private enterprise who are members of this middle ground must be able to deliver jobs, services, and education to the person on the street in a more transparent and predictable way. The narrowing influence of the moderates must be expanded to provide modern leadership in the marketplace of hope, before that ground is erased by the polemic extremes of fundamentalism.

The narrowing influence of the moderates must be expanded to provide modern leadership in the marketplace of hope, before that ground is erased by the polemic extremes of fundamentalism.

b. Rationale

The risk at hand is fully recognized by the GOM, as is their desired trajectory for the future. The GOM has methodically been putting legislation and Royal Decrees into place over the past two years to lay important legal groundwork for the promotion of good governance, economic growth and a strong civil society.

- August 2001 - King Mohamed VI appointed nine new Regional Governors (out of 16) with the mandate, and credentials, to focus on job creation in their regions;
- January 2002 - A Royal Letter was issued that laid out increased power to regions and to local communes;
- February 2002 - A Royal Letter publicly endorsed local government and civil society entities to form partnerships to meet the needs of Moroccan society;
- August 2002 - Parliament passed the Communal Charter which gave more authority to elected and appointed officials at the communal level and clarified the lines of responsibility within Communal Council leadership.

However, the letter of the law and its full implementation are two separate issues. Implementation of these laws and decrees is bogged down. There is a pervasive feeling in the country that key political and economic decisions are made in the shadows. Opacity of decision making and impunity are still seen as the norm.¹⁹ In addition, there is a broad perception that the game is rigged and individuals do not enjoy equal opportunities. Birthrights and personal connections override merit. This perpetuates a lack of transparency in political and economic decisions, and contributes to a profound sense of hopelessness for

Few leaders can deliver good governance without the institutional accountability to other branches of government and to the people that democracy provides.
-Andrew Natsios

¹⁹ Payne and Denoeux.

the future. Exclusion from opportunity dramatically lowers the will of Moroccan citizens to assume responsibility for their future. Women are the hardest hit culturally, economically and politically.

Exclusion is best reversed at the local level. Morocco is in step with the global movement to decentralize power and resources to municipalities and their citizens. This, in the best of times, raises the importance of how well these communities are managed and how well their economies are performing. In these extremely difficult times, the responsiveness of local government to the needs of its citizens is the cutting edge of promise for democracy in Morocco. Thus, this program will help deliver tangible improvements in the lives of citizens in the targeted communities.

On June 3, 2003 Prime Minister Jettou launched a program which provided a way forward for the GOM following the Casablanca bombings. His is a vision for action that dramatically parallels USAID/Morocco's proposed DG. The "Politique de Proximité" is a policy of going directly to the people with activities that will provide immediate and tangible improvements to their lives. Resources will go to housing, health, transportation, literacy, youth, and local civil society associations. Small and medium sized towns in rural areas will be targeted along with the peri-urban. Clearly, this shared vision can only lead to collaboration that will contribute to stability, growth, and democracy in Morocco

c. Strategic Objective and Impact Measures

USAID/Morocco will work to improve standards and norms for good governance at the national and local level. The national government structure must support and reflect transparency, accountability, and equity at all levels of the system. The strategy will contribute to the success of the moderate middle of society as it broadens its own ground between radical alternatives, and takes a leadership role for Morocco in engaging the global economy. The strategy will help facilitate equal opportunity for its citizens, provide services, combat poverty, and enhance prospects for political stability. USAID/Morocco recognizes that this is a very tall order and one in which it can only be a contributing player. Certain broad principles will weave throughout the activities that are further described below. These principles are transparency, accountability and equity.

USAID will improve standards and norms for good governance at the national and local levels.

The machinery of government must deliver the goods. In order to deliver the appropriate services in an effective and efficient way the citizens and government must work together. This provides the basis for a viable democracy. A sustainable way forward must encourage improvement in the long range structure of regulations, checks and balances of the central government and a results-driven demonstration of the same in the immediate term through strong decentralization and a partnership of local citizens with its local officials.

This strategic objective is consonant with the Agency goal 2: "Democracy and good governance strengthened" as well as the Agency objective 2.4: "More transparent and accountable government institutions encouraged." Further, it aligns with MEPI objectives within Economic

Reform, Promotion of the Rule of Law, Strengthen the role of media, and Women's empowerment goals.

The success of the DG SO will be measured by the following illustrative indicators, which will be finalized following approval of the strategy:

- Parliament's development and promulgation of policies that would strengthen transparency, accountability, equity and local governance;
- Citizen's perception of corruption in government both at the local and the national level;
- Number of audits in target Ministries and Local Development Units;
- Citizen participation with civil society and local governments;
- Citizen perception of improved service delivery.

d. Intermediate Results, Illustrative Activities, and Indicators

IR 13.1 National Enabling Environment Supported: There must be a central mechanism to shape government policies and put into motion laws, norms, and standards that will set the environment for a deep rooting of democracy and good governance on a national scale over time. A Parliamentary program will be designed to strengthen Parliament's oversight and policy assessment capacity, as well as its ability to upgrade legislation regarding transparency, accountability and equity issues.

This program proposes to establish a Parliamentary Studies Center, outside of Parliament, to help with a much-needed capacity to research and analyze policy. This center will enhance the ability of Parliament to analyze and debate policy proposals that is based on verifiable research, sound analysis, and public discussion. It would also be a place for Parliamentarians to meet with private business, civil society and public sector representatives to discuss legislation issues.

A parliamentary studies center will enhance the ability of Parliament to develop policy based on sound analysis and public discussion.

A concrete capacity building activity will target strengthening Parliament's oversight ability such as through the provision of training for MPs and staff on the Finance Committee.

To ensure a "ground truthing" to this dynamic, local and national level players must inform one another on a regular basis. Civil society will be represented at the national level through support for the National Municipal Association that will, inter alia, advocate national standards in ethics and professionalism among member municipalities.

Illustrative activities:

- Develop policy research, analysis and debate at the national level;
- Strengthen skills of Parliamentary members directly involved in oversight committees, such as finance;
- Improve practices and systems for transparency, accountability and gender in pilot ministries;

- Increase information exchange between government and civil society through the strengthening of the National Municipal Association.

Illustrative indicators:

- Bills reaching Parliament that reflect input from efforts involving the Parliamentary Studies Center;
- Frequency of communication between Parliament, civil society and government at the national and local levels;

IR13.2 Transparency in Governance Encouraged: In spite of competitive elections and a freer press, a lack of transparency and accountability is eroding the legitimacy of the government in the eyes of the citizens. The consequences of not addressing the current situation are enormous. Lack of transparency and accountability poses a serious threat to the consolidation of a fragile democracy and to economic growth. For example, local governments that are perceived as more transparent, accountable, and equitable, will attract more business opportunities, which in turn will create jobs in their communities.

A lack of transparency and accountability is eroding the legitimacy of government in the eyes of the citizens. USAID will seek to reverse this pattern.

USAID/Morocco will focus on strengthening the capacity of public sector management and auditing as well as civil society's efforts to advocate for transparent and accountable government. USAID will support the role of the media as a watchdog and reporter of successful initiatives. Publicizing success stories will bring transparency and accountability issues into the sunlight and help raise public expectation for fair play.

Illustrative activities:

- Improve administrative capacity of appropriate national anti-corruption bodies, such as the College of Inspectors General;
- Build and support civil society capacity to advocate transparency;
- Promote civil society opinion polls to measure perceptions of transparency, accountability and equity issues;
- Increase media coverage of success stories in transparency, accountability, and equity in government and the private sector.

Illustrative indicators:

- Administrative capacity of the national anti-corruption bodies, e.g., inspectors general;
- Public perception of transparency in the delivery of selected government services;
- Perceptions of transparency of firms attempting to do business with the local government units and the private sector.
- Transparency, accountability, equity success stories carried by the media.

IR 13.3 Local Government Performance Improved: Supporting a national enabling environment will not ensure a full devolution of power. Effective devolution will occur when elected local government has the necessary level of qualified personnel and financial resources to

formulate, implement, and enforce policy decisions, and to provide services transparently and efficiently. Visible change at the local community must begin with an immediately perceptible strategy of inclusion and partnership between government entities, civil society, and the private sector.

USAID will produce visible change in local government performance through a strategy of inclusion and partnership between government and civil society.

Illustrative activities:

- Train newly elected and appointed officials in community outreach, strategic planning, management and monitoring;
- Raise the standard of professional partnership with government by including local associations and private sector entities in the training;
- Support budget transparency and accountability initiatives;
- Encourage public debate to increase citizen participation in local government;
- Assist in building partnerships within target communities to implement local development projects;
- Facilitate investment, jobs and services for the community;
- Build equitable government systems for contracting and hiring actions;
- Issue small grants to finance community initiatives.

Illustrative indicators:

- Citizens in target communities who feel that local government is transparent, accountable and equitable;
- Local government staff using their new skills on the job;
- Joint local government and civil society meetings held in targeted local government units;
- Perception of target citizens who believe service delivery is improving.

e. Beneficiaries

Direct Beneficiaries:

- Targeted government entities at national and local levels;
- Targeted national and local associations and civil society;
- National anti-corruption bodies;
- Parliamentary Studies Center;
- Members of the media.

Indirect Beneficiaries:

- Citizens in targeted communities who receive improved services;
- Citizens who fall under new laws and standards of greater transparency, accountability and equity;
- Members of Parliament.

f. Geographic Focus

Activities that promote transparency, accountability, equity and professional capacity development in both public administration and civil society will take place at the national and local levels.

In selecting local regions and municipalities for these activities, the Mission intends to find that locus which best builds on past success and investments while supporting the maximum number of inter-connecting elements of the new strategy. Additional criteria for selection include areas where there is a) a high level of rural poverty, b) complementarity with other donor activities and c) potential for partnership with known local leaders of energy and vision.

USAID's working concept of communities is any urban center where there is a sufficient concentration of services and governance to attract people who must cooperatively manage themselves and their resources toward a better life. USAID will target the GOM urban category of 50,000 to 100,000 people for the following reasons:

- The Moroccan Ministry of Planning has stated that municipalities in this category are essential for economic growth and regional development. Further, they play a key role in diminishing rural migration to larger towns.
- There is evidence in other countries that market centers of this size become small boomtowns as the local economy changes from traditional agriculture to a modern agri-business and service-based economy.
- They serve as the processing, distribution and transportation centers for transforming rural economies.
- The GOM is also promoting efforts in municipalities this size because they are easier to control in terms of security. This is often simply a case of neighbors knowing one another.

National Level Focus:

Intermediate Result 13.1 supporting the Parliament, the media and Municipal Associations will take place at the national level in Rabat.

Intermediate Result 13.2 involves work at both the national and local levels through national anti-corruption agencies, such as the College of Inspectors General, a pilot ministry -such as Education - and support to civil society organizations that promote transparency, accountability and equity.

Local Level Focus:

Intermediate Result 13.3 involves work with local government and local development associations in areas to be selected.

g. Comparative Advantage

The proposed program builds upon contacts, experience and materials already developed across all three Intermediate Results. Over the past two years USAID has managed grants for:

- Training of newly elected Parliamentarians, election monitoring and reporting, strengthening of national umbrella civil society organization in advocacy skills and internal management. (I.R. 13.1);
- Development of a draft code of conduct for the GOM, strengthening of the College of Inspectors General, strengthening of civil society organizations in advocacy skills and internal management (I.R. 13.2);
- Laying the groundwork for a good governance roadmap through assessments, workshops and study tours that led to a nationally endorsed set of principles and practices for local government; development, field testing and national endorsement of a practical guide on participatory strategic planning at the municipal level; development of a draft code of ethics for Secretaries General of local government; two USAID supported local funding instruments are now in place that can provide private money toward municipal improvement (I.R.13.3).

No other donors in Morocco have put together such a broad, relevant and field-tested foundation for linking the national government, local government and civil society elements required for sound municipal management that responds to citizens needs.

h. Assumptions

The following assumptions are critical to the achievement of this strategic objective:

- The environment in Morocco and the will, both within the public and private sectors, for a concerted push toward greater democratization will remain positive.
- The Municipal Elections in the Fall of 2003 will be free and fair;
- The GOM remains committed to full implementing of laws that have been promulgated with regard to devolving authority to the local level;
- Officials at the local level will be willing to work with civil society and committed to opening up the political process to include citizens in public debates.

i. Relation to other SOs

The major themes of the Democracy and Governance SO relate directly to both Education and Economic Growth. The themes of transparency, accountability and equity will be contained within capacity development and partnership activities with the various business associations under SO 11. Deepening these principles will also enhance the effectiveness, credibility and relevance of the Rural Learning Clusters under workforce development.

In addition, in partnership with the National Ministry of Education and Youth, under SO 12, will contribute to enhanced governance of middle schools, PTAs, and provincial education leaders through the application of skills and norms learned through management training programs that will include, inter alia, the same three themes. Students in assisted middle schools will benefit from good examples of leadership as they relate to these practices. Initial success in local transparency and governance will provide a base for rolling back citizen apathy in target communities.

j. Donor Coordination

Other donor assistance in the areas of governance may complement the DG program proposed in the strategy. The donors with whom USAID has had positive initial discussion around possible collaboration are the following: UNDP (good governance and legislative strengthening program), the French Cooperation and Cultural Service (support for regional development and decentralization), and the Friedrich Ebert Stiftung (FES). The FES, a German foundation, has expressed interest in the establishment of a "Policy Assessment" or "Parliamentary Studies" center. A total of six donors are active in the sectors of governance, civil society development, rule of law, reform of the public administration. However, according to the recent Donor Assessment conducted for USAID, no donor has expressed interest in working on anti-corruption and transparency issues. Donor coordination will be maintained through thematic group meetings sponsored by the UNDP in the areas of good governance and gender.