Data Sheet

USAID Mission:	Morocco
Program Title:	Free Trade Agreement Support
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	608-011
Status:	Continuing
Planned FY 2006 Obligation:	$3,465,000 DA; $4,450,000 ESF
Prior Year Unobligated:	$2,000,000 ESF
Proposed FY 2007 Obligation:	$2,000,000 DA; $8,000,000 ESF
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2008

Summary: USAID's economic growth strategy assists Morocco in taking advantage of opportunities resulting from the Free Trade Agreement (FTA) with the United States, the Association Agreement with the European Union, other FTAs, the World Trade Organization Doha Development Round, and Morocco's own reform efforts. USAID's program focuses on 1) increasing productivity in agriculture and agribusiness, 2) creating new business opportunities outside of agriculture and agribusiness, and 3) improving the business environment.

Inputs, Outputs, Activities:
FY 2006 Program:
Improve Economic Policy and the Business Environment ($1,250,000 DA). The program is developing working groups of public and private sector stakeholders to address business climate issues that affect the successful implementation of the FTA, economic growth, and job creation. Training is being provided for judges and related court personnel in intellectual property rights (IPR) and other subjects that are important for FTA success. In the financial sector, the program builds on ongoing efforts by the bankers association, the finance companies association, the association of microfinance institutions, and the central bank to create a privately-operated credit reference bureau. Specific recommendations are being developed on how to revise the existing tax laws to encourage economic growth and job creation. Principal Implementer: Development Alternatives Inc. (DAI).

Improve Private Sector Competitiveness ($1,100,000 DA). The program is initially focusing on sectors that are likely to benefit most from the reduction in tariffs that will take place at the onset of the FTA on January 1, 2006, such as textiles, apparel, and processed fish products. Assistance to Moroccan enterprises includes market intelligence; training on laws, regulations, and industry norms governing the entry of products into the American market; introduction to potential buyers; and logistical support. Principal Implementers: Nathan and Associates and International Executive Service Corps (IESC).

Increase Agricultural Sector Productivity ($1,115,000 DA; $4,450,000 ESF; $2,000,000 ESF Prior Year Unobligated). Policy reform activities involve work on domestic market issues, border protection, and subsidies. The program is working with the Ministries of Agriculture and Interior on liberalizing domestic wholesale fruit and vegetable markets and slaughterhouses, both of which are currently owned or controlled by local municipalities. This involves an examination of alternative sources of revenues as well as privatization modalities. Such liberalization is closely linked to the technical assistance and training provided to selected product value chains. The program is initiating pilot activities to improve the quality and reduce the costs in selected value chains. These include the introduction of grades and standards, certification systems, improved irrigation techniques, and market information systems. Principal Implementer: Chemonics.

FY 2007 Program:
Improve Economic Policy and the Business Environment ($3,100,000 ESF). Training will continue for commercial court judges and related court personnel to improve court effectiveness. In the financial sector, work will continue on the establishment of a private credit reference bureau, improved financial disclosure, and modern collateral registry systems. In addition, advice and assistance will be provided to

microfinance institutions on revising their legal structure to better respond to needs of clients. Based on the response of the Ministry of Finance to initial recommendations on tax issues, further assistance may be provided on implementation. Principal Implementer: DAI.

Improve Private Sector Competitiveness ($2,100,000 ESF). The program will continue to provide assistance in sectors that are likely to benefit most from the reduction in tariffs resulting from the FTA between Morocco and the United States. It will gradually add sectors and products with good potential for export and job creation but which require more intensive technical assistance and training. Opportunities for mutually-beneficial inward direct foreign investment will also be explored. Principal Implementers: Nathan and Associates and IESC.

Increase Agricultural Sector Productivity ($2,000,000 DA; $2,800,000 ESF). Policy reform activities continue to focus on domestic market issues, border protection, and subsidies. However, increased emphasis will be placed on reform of the cereals market as a complement to the policy work related to the development of alternative products such as olive oil, medicinal and aromatic plants, and sheep and goats. Pilot activities (technical assistance, training, demonstrations) in support of these products will continue in each of the three target regions. Principal Implementer: Chemonics.

Performance and Results: In February 2005, USAID initiated the Integrated Agriculture and Agro-business program to address Moroccan concerns about the potential negative impacts of the U.S.-Morocco FTA and other trade agreements on Moroccan agriculture. The program is helping Moroccan policy makers to eliminate policies that protect and subsidize inefficient products and producers, while at the same time working with farmers and agribusinesses to identify markets and products in which Morocco can successfully compete. USAID also helped the Ministry of Agriculture to develop a strategy and analytical tools to reduce tariffs and subsidies on inefficient production, especially soft wheat, to improve the functioning of domestic markets and encourage production of more competitive products.

In September 2005, USAID initiated the New Business Opportunities Program to help selected manufacturing and service industries take advantage of opportunities created by the FTA (expected to go into effect on January 1, 2006). This is expected to create employment opportunities for displaced agricultural laborers, new entrants to the labor market, and unemployed men between the ages of 15 to 34 -- a group with an unemployment rate of over 30%. The Morocco Fast Track Trade program is also helping Morocco take advantage of FTA opportunities. A recent survey showed an increase of over $9,000,000 in exports from 2003 to 2004, although delays in FTA implementation have reportedly resulted in the cancellation of almost $17,000,000 of orders.

In July 2005, USAID initiated the Improved Business Environment Program to assist in the implementation of FTA required changes, such as stricter enforcement of IPR, and contribute to broader improvements in the Moroccan business environment. It will support: 1) an improved policy, legal, and regulatory environment; 2) a more efficient and effective judiciary; 3) improved support systems for financial markets expansion; and 4) more growth-oriented tax policies, laws, and regulations. USAID also neared completion of programs in commercial law and courts reform, investment reform, and microfinance. Key successes include: draft modifications to IPR law needed for the FTA, training in IPR and bankruptcy, a nationwide judicial statistics system, computerized one-stop investment authorization units in each of the 16 regions, a national-level committee to simplify investment procedures, and assistance to two pilot Regional Investment Centers. One major investment activity will produce an estimated 14,500 new jobs in one community. Support for microfinance through guarantees, grants, technical assistance, training, and advocacy helped 12 microfinance institutions to increase their outstanding clients to over 575,000 people and loans to $130 million.

US Financing in Thousands of Dollars

Morocco

608-011 Free Trade Agreement Support	**DA**	**ESF**
Through September 30, 2004		
Obligations	2,715	3,000
Expenditures	25	529
Unliquidated	2,690	2,471
Fiscal Year 2005		
Obligations	4,685	4,971
Expenditures	1,082	2,474
Through September 30, 2005		
Obligations	7,400	7,971
Expenditures	1,107	3,003
Unliquidated	6,293	4,968
Prior Year Unobligated Funds		
Obligations	0	2,000
Planned Fiscal Year 2006 NOA		
Obligations	3,465	4,450
Total Planned Fiscal Year 2006		
Obligations	3,465	6,450
Proposed Fiscal Year 2007 NOA		
Obligations	2,000	8,000
Future Obligations	6,000	20,000
Est. Total Cost	18,865	42,421