

Morocco

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

Despite macroeconomic stability, the hopes of large segments of the population striving for better living conditions remain unmet. Job creation has not kept pace with rapid growth in the labor force. While there have been some improvements since 2001, nearly 20% of the urban labor force was unemployed in 2002. Progress made in the early 1990s in poverty alleviation has been lost, and approximately 19% of the total population remains below the absolute poverty line (about one dollar per day). Two-thirds of the poor live in rural areas (3.5 million, or more than 10% of the population). Moreover, about 55% of the rural population and 33% of the urban population were considered “economically vulnerable” in 2003.

Rural poverty is the result of adverse climatic conditions, primarily an increase in the frequency of droughts over the past 35 years. Rural poverty is further aggravated by government policies that prevent rapid modernization of the rural economy, diversification out of cereal production, and efficient use of scarce water resources. Migration from rural to urban areas further exacerbates urban problems.

In 2003, with the appointment of a new government headed by a business-oriented, non-partisan prime minister, the economic reform agenda began to move. Under the new government, adoption of long-needed reforms, such as the labor code and the insurance code, has begun.

Politically, Morocco is being transformed from a highly centralized government to a system that promotes stability through democratization, local participation and decentralization. King Mohammed VI and his advisors recognize the clear message that came out of the most 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 yet at the same time does not provide an opportunity for extremists to destabilize the country. The September 2003 municipal elections, coming one year after the first fair and transparent elections of parliamentary representatives, confirmed the engagement of the government in the democratization process. Moreover, Morocco is on the eve of a major change in gender relations with the coming declaration of a new family code (moudawana), which will put Morocco in the vanguard of Arab countries in terms of women’s legal rights.

The U.S. 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 accelerate the major economic reforms and restructuring that will attract investment, open global markets, and create jobs. Besides promoting broader economic development in the context of the FTA, the United States will also support programs in basic education and democratization. President Bush’s specific references to Morocco in his May 9, 2003 speech underscore the importance and visibility of these initiatives for Morocco.

The USAID Program: The goal of USAID’s strategy for Morocco is to support the overarching U.S. foreign policy interests in Morocco: promoting regional stability, economic development, and democratic values and combating international terrorism.

USAID activities support the Government of Morocco’s goal of providing jobs, opportunities, and political stability through the promotion of free trade, education and workforce development and a government that responds to the needs of the people.

Other Program Elements: USAID manages a number of activities funded by the Middle East Partnership Initiative (MEPI), including:

-- a girls’ scholarship program that provides safe housing for rural girls to attend middle school;

- training for local political parties and newly elected parliamentary members;
- technical assistance to improve women's legal rights;
- a women's literacy program;
- work with civil society;
- microcredit programs for small businesses; and
- activities to help Morocco negotiate and implement a free trade agreement with the U.S.

Other Donors: General trends in official development assistance (ODA) show a decrease in assistance levels since the early 1990s. After a peak at about \$1.2 billion in 1992, net ODA disbursements decreased progressively to approximately \$336 million in 2002. With disbursements of about \$302 million over the 2000-2002 period, France maintained a leading position, far ahead of Germany (\$65 million), Spain (\$38 million) and the United States (\$33 million).

Bilateral donor assistance focuses on infrastructure development, distribution and management of water resources, and workforce training. Loans provided by the European Union (largest multilateral donor over the 2000-2002 period) and the World Bank are dominated by large policy reform programs in multiple sectors, including public administration, housing, water and sanitation, transportation, health, education, financial and legal sectors. The multilateral donors also provide resources for developing the private sector and strengthening the workforce.

USAID's activities will focus on critical areas, consistent with the Government of Morocco's priorities, which either complement or are not addressed by other donors and in which USAID has an established comparative advantage.

Morocco PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	4,600	0	0	0
Development Assistance	5,766	6,644	5,400	6,000
Economic Support Fund	0	0	0	20,000
Total Program Funds	10,366	6,644	5,400	26,000

STRATEGIC OBJECTIVE SUMMARY				
608-005 Expanded Business Opportunities				
DA	2,038	2,891	0	0
608-006 Environment for Sustainable Development				
DA	2,300	2,225	0	0
608-007				
CSH	4,600	0	0	0
608-008 Keeping Girls in School				
DA	1,428	1,528	0	0
608-011 Free Trade Agreement Support				
DA	0	0	3,400	4,000
ESF	0	0	0	4,000
608-012 Education for a better future				
DA	0	0	2,000	2,000
ESF	0	0	0	12,000
608-013 Improved Government Responsiveness to Citizens				
ESF	0	0	0	4,000

Mission Director,
James Bednar

Data Sheet

USAID Mission:	Morocco
Program Title:	Free Trade Agreement Support
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	608-011
Proposed FY 2004 Obligation:	\$3,400,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$4,000,000 DA; \$4,000,000 ESF
Year of Initial Obligation:	FY 2004
Year of Final Obligation:	FY 2008

Summary: These programs will help Morocco respond to the challenges and opportunities of the Free Trade Agreement (FTA) with the United States by creating jobs and investment opportunities in high value-added products, agribusiness, rural tourism and other sectors to help offset anticipated losses from reduced protection for domestic cereal grains and meat production. The program will create jobs and investment opportunities by increasing agricultural diversity and agribusiness potential, fostering the development of non-farm alternatives, and improving the general environment for business and investment through improved governance.

Inputs, Outputs, Activities:

FY 2004 Program:

Increased productivity in irrigated agriculture and agribusiness (\$1,000,000 DA). USAID will increase rural incomes by providing technical assistance to the public and private sectors to move the agriculture sector towards the cultivation of higher value-added crops. Activities include:

- Training private sector agribusinesses and associations in identifying new market prospects and product development opportunities;
- Assisting Moroccan exporters in meeting sanitary and phytosanitary standards and conforming to organic labeling norms under the FTA;
- Working with the Ministry of Agriculture to make water allocation policy decisions based on the economic demand of water and its opportunity cost;
- Helping improve water delivery when and where it is needed by farmers by developing better and more timely systems for providing information on water supply within irrigation systems. This assistance will be targeted primarily at the national level, but its application will be targeted to selected irrigated perimeters where cereal grains are grown; and
- Encouraging investment in more efficient on-farm irrigation, such as drip irrigation, by assisting members of water user associations who own small farms.

New business opportunities, especially in rural areas and regional market centers (\$1,000,000 DA). USAID will help Moroccans develop new, non-farm business opportunities to offset potential losses in the agriculture sector resulting from the FTA. USAID will work through business associations and related clusters to assure maximum impact. Activities include:

- Conducting market research and launching promotional activities in collaboration with local business services providers, including associations and private consulting firms; and
- Expanding labor-intensive manufacturing and service sectors, including tourism, to provide more jobs.

Improved business environment (\$1,400,000 DA). USAID will help improve governance to meet the opportunities and challenges of free trade. The program will foster an improved business environment by promoting simpler and more transparent investment procedures, enhancing the transparency of economic

and corporate governance, and improving access to financing options by small businesses. Activities will include:

- Assisting national and regional authorities in marketing the country and specific regions as primary investment locations and creating public-private partnerships that address regional constraints to investment and growth;
- Enhancing transparency for investors by assisting national level authorities to update existing laws and procedures and by improving legal and judicial practice in key commercial law areas;
- Improving legal enforcement of FTA-related requirements, including intellectual property rights, by providing expertise to national authorities;
- Reducing the systemic risk of small business lending by helping to update laws, regulations, and business lending practices; and
- Helping the rural population respond to agricultural restructuring by developing new business and financial opportunities and services.

FY 2005 Program:

USAID will continue to fund activities in the three major areas for which initial funding is being requested in FY 2004.

Increased productivity in irrigated agriculture and agribusiness (\$1,200,000 DA, \$1,200,000 ESF). USAID funds will provide expertise to the public and private sectors to help them shift cultivation to higher value-added crops.

New business opportunities, especially in rural areas and regional market centers (\$1,200,000 DA, \$1,200,000 ESF). Expertise is needed by the Moroccans to develop new, non-farm business opportunities to offset potential losses in the agriculture sector resulting from free trade. USAID will work through business associations and related clusters to assure maximum impact.

Improved business environment (\$1,600,000 DA, \$1,600,000 ESF). Expertise is required to improve governance related to the requirements of the free trade agreement. The program will promote simpler and more transparent investment procedures, enhancing the transparency of economic and corporate governance, and improving access by small businesses to financing.

Performance and Results: This is a new program, so there are no results to date. The program is expected to help the Government of Morocco develop and implement public policies that maximize the country's comparative advantage and provide the tools needed by private sector enterprises to expand investment, income, and jobs.

US Financing in Thousands of Dollars

Morocco

	DA	ESF
608-011 Free Trade Agreement Support		
Through September 30, 2002		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2003		
Obligations	0	0
Expenditures	0	0
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	3,400	0
Total Planned Fiscal Year 2004		
Obligations	3,400	0
Proposed Fiscal Year 2005 NOA		
Obligations	4,000	4,000
Future Obligations	19,500	11,000
Est. Total Cost	26,900	15,000

Data Sheet

USAID Mission:	Morocco
Program Title:	Education for a better future
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	608-012
Proposed FY 2004 Obligation:	\$2,000,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$2,000,000 DA; \$12,000,000 ESF
Year of Initial Obligation:	FY 2004
Year of Final Obligation:	FY 2008

Summary: USAID's objective is to improve training opportunities for Moroccan youth and increase access to quality and relevant basic education (grades 1 through 9). This will be achieved through two components: the "school-to-work" component which aims at creating close connections between training and employment at various post middle school levels; and, the "Model School" component aiming to improve basic education. The school-to-work component will focus on providing students, in partnership with the private sector, with computer and other portable skills that are linked to the job market or higher level education. Also through partnership assistance, Model Schools will be well-maintained, with highly trained teachers, computers in classrooms, effective leadership and active community involvement. The measurement of success will be job placement and school graduation.

Inputs, Outputs, Activities:

FY 2004 Program:

School-to-Work and Model Schools (\$2,000,000 DA). This is a new program. USAID will implement some modest high visibility start-up activities in partnership with the private sector and the Government of Morocco. For the school-to-work component, USAID will work through existing vocational training institutions to implement computer training activities in collaboration with private sector partners, such as Microsoft or Cisco systems. In the Model Schools, USAID will build upon its existing successful experience in rural primary schools in order to extend relevant experience to other schools, including urban primary schools and middle schools. Scholarships based on need and literacy training for adults (women and out-of-school youth) will also be included as community activities around schools. USAID benefited from FY 2003 Middle East Partnership Initiative carry-over funds in support of women's literacy, which will be applied to the FY 2004 procurement.

FY 2005 Program:

School-to-work and Model Schools (\$2,000,000 DA, \$12,000,000 ESF). The program will be launched in FY 2004 and will rapidly expand in FY 2005. The school-to-work component will extend its assistance to additional training institutions, secondary schools and universities to provide computer training and other skills in demand by the private sector. USAID will also seek to establish a roster of private sector partners for student internships and eventual job placements. The organization of initial job fairs is also envisioned in FY 2005. The Model Schools will be extended to a greater number of primary and middle schools in collaboration with USAID's private sector partners. This will include interventions such as physical upgrading of the school buildings, teacher training and development of supporting materials, management training for school leadership, student counseling, computer equipment and training, and community outreach.

Performance and Results: This is a new program and therefore there are no results to date. The school-to-work activity is expected to improve the placement of program participants in jobs, internships or in higher institutions of learning. For the Model Schools component, anticipated results include higher school retention and completion.

US Financing in Thousands of Dollars

Morocco

	DA	ESF
608-012 Education for a better future		
Through September 30, 2002		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2003		
Obligations	0	0
Expenditures	0	0
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	2,000	0
Total Planned Fiscal Year 2004		
Obligations	2,000	0
Proposed Fiscal Year 2005 NOA		
Obligations	2,000	12,000
Future Obligations	0	62,000
Est. Total Cost	4,000	74,000

Data Sheet

USAID Mission:	Morocco
Program Title:	Improved Government Responsiveness to Citizens
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	608-013
Proposed FY 2004 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$4,000,000 ESF
Year of Initial Obligation:	FY 2005
Year of Final Obligation:	FY 2008

Summary: In December 2003, USAID and the State Department approved the new USAID/Morocco Democracy and Governance (DG) program "Improved Government Responsiveness to Citizens." The DG program will be financed by ESF and will begin in FY 2005. In order to avoid a gap in democracy programs in Morocco for FY 2004, the regional Middle East Partnership Initiative (MEPI) will provide bridge funding for this program. The program is intended to address the urgent requirement for the Government of Morocco (GOM) to better respond to its citizens' needs. Governance must be transparent, accountable, and equitable. This program strives to support a system that encourages debates and works on improving leadership for the long term. At the same time, the program will work on building a partnership between citizens and government to immediately deliver tangible results at the local level. The USAID democracy program is directly related to the MEPI goal of promoting the rule of law and accountable, effective government institutions. In addition, good governance is a prerequisite for the creation of an enabling environment for investment and job creation.

Inputs, Outputs, Activities:

FY 2004 Program:

No funding is requested in FY 2004.

FY 2005 Program:

National enabling environment supported (\$750,000 ESF). USAID plans to help the Government of Morocco shape policies and put into motion laws, norms, and standards that will set the environment over time for a deep rooting of democracy and good governance on a national scale. 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. Civil society will be represented at the national level through support for the National Municipal Association, which will advocate national standards in ethics and professionalism among member municipalities. Illustrative activities include developing policy research; fostering analysis and debate at the national level; strengthening the skills of Parliamentary members directly involved in oversight committees; improving practices and systems for transparency, accountability and gender in pilot ministries; and increasing information exchange between government and civil society through the strengthening of the National Municipal Association.

Transparency in governance encouraged (\$750,000 ESF). 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. USAID/Morocco will focus on strengthening public sector management and auditing capabilities as well as civil society's efforts to advocate for transparent and accountable government.

Local government performance improved (\$2,500,000 ESF). Complimenting its support at the national level, USAID will also work at the regional and local government level to ensure a full devolution of power.

Effective devolution will occur when an 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. USAID will work at the local level bringing government entities, civil society, and the private sector together to identify problems, prioritize needs and implement solutions. In line with the GOM's priority of working in the urban slums, the civil society component will support the development of civil society organizations within the slums and assist municipal governments in responding to the priorities of the community. The local governance component will support a selected number of cities and work with them to help improve their overall management with special emphasis on improved fiscal performance and responsiveness to the needs of the poor. USAID will also train newly elected and appointed officials in community outreach, strategic planning, management and monitoring. Other areas of proposed activities include support for budget transparency and accountability initiatives; encouraging public debate to increase citizen participation in local government; assisting in building partnerships within target communities to implement local development projects; facilitating investment, jobs and services for the community; building equitable government systems for contracting; and issuing small grants to finance community initiatives.

Performance and Results: This is a new program, so there are no results to date. The anticipated results under this program include strengthened transparency, accountability, equity and local governance through the development and promulgation of appropriate Parliament policies; lower levels of corruption in government both at the local and the national level in the eyes of Moroccan citizens, more fiscally responsible Ministries and Local Development Units, improved citizen participation in civil society and local governments, and improved service delivery to constituents.

US Financing in Thousands of Dollars

Morocco

608-013 Improved Government Responsiveness to Citizens	ESF
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2003	
Obligations	0
Expenditures	0
Through September 30, 2003	
Obligations	0
Expenditures	0
Unliquidated	0
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	0
Total Planned Fiscal Year 2004	
Obligations	0
Proposed Fiscal Year 2005 NOA	
Obligations	4,000
Future Obligations	17,000
Est. Total Cost	21,000