

SECTION C - PERFORMANCE WORK STATEMENT

SECTION C – DESCRIPTION / SPECIFICATIONS/STATEMENT OF WORK

C.1 BACKGROUND

The USAID/Morocco Economic Growth assistance objective is centered on one key principle – that broad-based economic growth is the strongest lever to reduce poverty and ensure that youth have the opportunity to become productive and engaged members of society. Because unemployment is a determinant of poverty, job creation continues to be on the top of the Government of Morocco’s priorities and is being addressed by a variety of GOM and donor initiatives at all levels.

Morocco’s efforts at economic reform in recent years have been impressive. The Government has opened the economy through a series of free trade agreements, made large investments in economic infrastructure, strengthened its fiscal position, maintained a competitive exchange rate and a neutral current account deficit, and reorganized and strengthened its financial system. As a result, it has achieved a respectable GDP growth rate averaging 4.8%, and the impact of the current worldwide recession has been cushioned. Morocco has also undertaken important microeconomic reforms that affect the business climate, including commercial court reform, measures to improve transparency of public procurements, and efforts to facilitate business and investment registration. The Government of Morocco (GOM) has signaled the importance it attaches to reducing the barriers to investment and trade by creating the Business Environment Committee, chaired by the Prime Minister and with key GOM Ministries and private sector organizations as members.

Despite the important GOM efforts, the nation still confronts significant challenges. It has had an increasing trade deficit since 2000, and the worldwide recession is expected to reduce exports, investment, and remittances. Morocco’s labor productivity is low due to systemic weaknesses in the education system, outmigration of skilled workforce, and labor market rigidities. Despite considerable reform efforts, Morocco’s relative position on the World Bank’s Doing Business survey has remained basically unchanged, partly because other countries are also reforming but also because some sensitive policy issues have not been addressed. The Moroccan private sector has taken limited advantage of new markets created through free trade agreements. Finally, the important Moroccan agricultural sector confronts increasing scarcity of water supply, which is critical its modernization efforts.

C.2. TITLE: MOROCCO ECONOMIC COMPETITIVENESS

C.3 OBJECTIVE

The Objective of the MEC Program is to provide technical assistance to improve Morocco Economic Enabling Environment. Economic growth in Morocco, and improved youth employment in particular, depends on the nation’s ability to be competitive in the global economy, which in turn requires that the barriers to productivity improvements as well as to trade and investment be reduced. Achieving this objective requires that the economic enabling

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environment in Morocco be improved, that the nation's scarce water resources be sustainably used for agriculture, and that the workforce possesses the skills required by a modern economy. Improving capital and labor productivity is key to more accelerated economic growth in Morocco.

C.4 SUMMARY

This Scope of Work proposes USAID/Morocco support for the Moroccan Economic Competitiveness (MEC) Program, which is a comprehensive initiative to address barriers to trade and investment in Morocco. The MEC Program will pursue the USAID/Morocco Economic Growth Assistance Objective "Reduced Barriers to Trade and Investment." It will pursue three intermediate results (IRs) that directly contribute to this objective (a graphic portrayal of the results framework is provided in Annex A):

- IR 1: Economic Enabling Environment Improved
- IR 2: Water Used Sustainably for Agricultural Growth
- IR 3: Workforce Development Strengthened

Each of these intermediate results will be pursued through a combination of policy reform, improved capacity of GOM institutions to implement reforms, and increased private sector participation in reform.

USAID's key partners in pursuing these results will be the Ministries of General and Economic Affairs, the Ministry of Agriculture, and the Ministry of Employment. Other key stakeholders include the Business Environment Committee chaired by the Prime Minister, the Ministries of Industry and Commerce, Justice, and Interior, GOM Agencies such as the Office of Professional Training and Employment Promotion (OFPPT), EACCE, and Maroc Export, and private sector representative organizations, including trade and professional associations.

The following are the proposed activities that will be implemented under the Morocco Economic Competitiveness Program to achieve the targeted results:

Economic Enabling Environment Improved

The MEC Program will provide continued USAID support to improve the Moroccan commercial legal system, focusing on efforts to reform the commercial registry, reform the bankruptcy process, and consolidate efforts to institutionalize other reforms. The program will also provide targeted assistance to reform agenda priorities established by the GOM Business Environment Committee, which are expected to include (among others) efforts to facilitate construction permit issuance and property transfer mechanisms and registering a business on line. The program will support efforts to increase the capacity of Moroccan public sector institutions and private trade associations and similar organizations to provide business support services in selected sectors, particularly to help firms take advantage of the U.S./Morocco Free Trade Agreement. Finally, the Program will support GOM efforts to reduce corruption by addressing under the other program components activities that reduce administrative discretion, eliminate administrative choke points, and increase transparency (and accountability).

Water Used Sustainably for Agricultural Growth

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The MEC Program will provide strategic support for legal and regulatory reforms that target particular obstacles to achieving optimal water use for agricultural productivity. The program will focus on policy areas such as wastewater reuse, financing for efficient irrigation technologies and the intersection of energy policy and agricultural water use. In addition, the program will seek opportunities to harvest knowledge and learning from local project interventions to replicate elsewhere in the country and inform larger sectoral reform efforts. The MEC Program will support targeted reform of national level institutions to carry out the objectives of the program, but most efforts will focus on the successful regionalization of national level water and agricultural policies and effective decentralization of agricultural water use management in the focus geographic regions. Targeted institutions may include a broad range of actors including *Offices Regionales de Mise en Valeur Agricole (ORMVAs)*, Regional Agricultural Offices, River Basin Agencies, wastewater treatment utilities, regional Chambers of Agriculture, etc.

Achieving water use optimization and enhanced agricultural productivity must be realized at the ground level, engaging private sector actors of all scales to adopt improved approaches for production and processing, develop markets, and ensure sustainable resource use. MEC will work to support increased efficiency and improved management of farm-level water use (including drip irrigation and other practices). Efforts may focus on a) strengthening farmers' organizations for improved water governance and financing of efficiency measures, b) promoting workforce development through training and promotion of young entrepreneurs in response to private sector demand, c) utilizing agricultural consolidators (i.e., "*agregateurs*") to motivate producers to improve water management and increase market access, d) promoting targeted water efficient, high-value local "*produits du terroir*", and e) promoting opportunities for water use optimization in agro-processing.

Workforce Development Strengthened

MEC Program efforts to strengthen workforce development will begin with an in-depth assessment of the principal public sector training organization, OFPPT, focusing on the effectiveness of skills needs identification methods, training methodologies, policies to help youth join the labor market, and coordination of training agendas and implementation with private firms. The assessment will also document the role played by private sector training organizations in workforce development. Before conducting this assessment, the contractor will consult with the public-private training commission established under the national inter-ministerial pact, as training and work force development constitute an important focus of the "plan emergence". Based on this assessment, the MEC implementing contractor and OFPPT will agree to an action agenda to be supported to increase the effectiveness of workforce training. The MEC Program will also investigate the potential for reducing payroll taxes on new entrants to the labor market on a time-limited basis in order to encourage increased youth employment. In addition to the OFPPT, two other influential actors for workforce development and labor policy and legislation are the Ministry of Employment and the General Confederation of Moroccan Enterprise (CGEM). This RFP cites illustrative areas of involvement with both these entities to further enlist and enhance their roles with respect to workforce development. The CGEM also brings influence to bear more broadly on improvement in the Moroccan business climate and competitiveness.

Program Characteristics

This MEC Program will begin with obligation of initial resources in fiscal year 2009, but will be implemented during fiscal years 2010 through 2014. It will be national in scope, but some

initiatives will focus on specific regions in order to address issues within a manageable context. Activities in support of improved water use for sustainable agriculture will focus on the Doukkala and the Oriental regions, and other program components will also focus on these regions to the extent it is reasonable to do so in achieving activity objectives. Other program initiatives may focus on regions that are centers of concentrated economic activity.

The USG Country Assistance Strategy and the MEC program place a strong emphasis on incorporating youth into the productive economy. This will primarily be accomplished by addressing skills training issues affecting youth, and by exploring possible policy measures that could make it easier for companies to employ new entrants to the labor market. The program will also emphasize activities that will increase employment opportunities for women, in response to concerns about low female participation in the workforce.¹

The MEC Program will collaborate with activities undertaken by other donors and USG Agencies, particularly the World Bank, European Union, and the Millennium Challenge Corporation. The contractor implementing this program will also coordinate activities with complementary programs supported by the USAID Education and Democracy and Governance offices, as well as State Department programs.

C.5 Statement of Work

C.5.1. Guiding Principles

The MEC Program will be developed and implemented under the following guiding principles:

Focus on a limited number of priority initiatives: USAID's resources are very small compared to the size of Morocco's economy, the GOM budget, other donor programs, and the issues to be addressed. It is therefore essential that USAID concentrate its focus on a limited number of priority activity in order to have measureable impact.

Concentrate on policy reform and implementation: Although the macroeconomic policy environment is good, by focusing on key microeconomic policy reforms and their implementation USAID can have a systemic impact on economic growth in Morocco. In most areas, USAID focus will be on implementation of key reforms rather than adoption of new policies.

Target the support for institutional strengthening: USAID will seek to strengthen Moroccan capacity to implement key policy reforms, and support pilot decentralization efforts. However, USAID does not have sufficient resources to undertake broad support for public administration reform and deconcentration of public authority.

Focus on GOM initiatives and priorities (political will): Moroccan leaders in both the public and private sectors have identified key areas for reforms and innovations that will support national goals. USAID's initiatives will be designed to reinforce these efforts, taking advantage of the political support for undertaking the reforms.

¹ Royaume du Maroc, Haut Commissariat au Plan, Direction de la Statistique, *Scivite, Emploi, et Chomage en 2006, Rapport de Synthese, Tableau 1.6*

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Maximize the use of local staff and local experts: USAID will give priority to the contractor's use of qualified Moroccan experts and staff, and expatriate consultants with deep Morocco experience. Knowledge of Morocco is absolutely critical for getting the best value, and USAID has achieved outstanding results by having teams with strong local leadership, bringing in outside experts for specialized requirements.

Leverage resources through partnerships: USAID will seek partnerships with key Moroccan public and private sector institutions, with USAID providing high level technical assistance in support of locally funded initiatives.

Move away from site-based to policy and regulatory focus: USAID must move up the scale from site-based activities, which benefit those beneficiaries immediately involved, to legal, policy and regulatory reform initiatives and national dissemination of new technologies and institutional innovations that are supportive of Moroccan-led efforts to increase national and global competitiveness, and which have a much broader systemic impact. USAID will undertake pilot efforts to create capacity in Moroccan organizations to provide firm-level assistance, rather than providing it directly, thus installing a Moroccan capacity to continue to provide such assistance.

Partner with Moroccan private sector as well as public sector: Encourage and support private sector input into public sector policy-level reform efforts.

Complement other donor and USG assistance: USAID should address issues where it has comparative advantage vis-à-vis other donors, and where possible should complement and build on investments by other donors, the MCC, and other efforts.

C.5.2 Criteria for Selection of Constraints to be Addressed

The following criteria will be applied in selecting specific activities to be supported:

- a. Importance to economic growth of policy and/or institutional reform:** By focusing on activities with a higher probability of achieving a significant impact on Morocco's economic growth, USAID will have a greater impact on systemic change.
- b. GOM willingness to engage in reform of a particular policy and/or institution, and its acceptance of donor involvement:** Clearly, USAID can only have an impact on policy or institutional reform if the GOM also considers it a priority. However, even if an issue is too politically delicate to pursue reform, the GOM and USAID might collaborate on studies and public discussion activities that can increase awareness of the costs of second best solutions.
- c. Link to USG objectives:** The CAS identifies U.S. foreign policy objectives in Morocco and the activities supported should have a direct link to the goals approved in that document.
- d. Private sector champions of the reform effort:** Reform efforts are most successful when there are champions beyond the government who actively support change.
- e. USAID resource and manageable interest considerations:** USAID should focus its efforts on activities where it can achieve measureable results within the strategic

planning period. This may require it to focus on pilot implementation of reforms within specific regional areas where sustainable change can be achieved, with mechanisms defined for broader dissemination after USAID's involvement has ended. Some issues may just be too complex to allow USAID to have measureable impact.

- f. **Priority should be given to completing prior USAID investments:** USAID has supported important efforts to improve the business enabling environment in recent years. In some cases, limited additional assistance may be needed to assure the sustainability of the prior investment. However, it is also important that USAID focus on graduating activities as soon as feasible, and avoiding a dependent relationship.
- g. **Other donor and USG initiatives:** USAID should not duplicate support by other organizations.

C.5.3 Detailed description of activities

A. Strategic Vision

The January 30, 2009 USAID/Morocco Assistance Objectives document provides a clear statement of the Mission's strategic vision for AO3: "The Economic Growth assistance objective is centered on one key principle – that broad-based economic growth is the strongest lever to reduce poverty and ensure that youth have the opportunity to become productive and engaged members of society. Because unemployment is the main determinant of poverty, job creation continues to be on the top of the Government of Morocco's priorities and is being addressed by a variety of GOM and donor interventions at all levels."

Economic growth in Morocco, and improved youth employment in particular, depends on the nation's ability to be competitive in the global economy, which in turn requires that the barriers to trade and investment and improved productivity be reduced. Achieving this objective requires that the economic enabling environment in Morocco be improved, that the nation's scarce water resources be sustainably used for agriculture, and that the workforce obtain the skills required by a modern economy. These are the main components of the strategic vision and they are reflected in the structure of the MEC program.

B. Intermediate Result 1: Economic Enabling Environment Improved

1. Component 1: Key Policies in Trade and Investment Supported

a. Background

Morocco is well-advanced in the implementation of an extensive and intensive set of policy reforms designed to address constraints to investment and economic growth in the country. Nonetheless, the GOM's policy reform agenda requires refinement and further implementation efforts in almost every respect. Fortunately the GOM recognizes many of these further reform requirements and has expressed a willingness to work with USAID and other donors to take the needed measures. The reform efforts are further complicated by the effects of the worldwide financial crisis.

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The economic policy reforms undertaken by the Government of Morocco over the past decade include a substantial improvement in fiscal performance, and a restructuring of the national debt to replace foreign debt with domestic debt and thus make the country's budget less vulnerable to changes in the value of the Moroccan currency (the dirham). At the same time that it was strengthening its fiscal position, the Government of Morocco has undertaken a major restructuring and strengthening of the banking system. A 2002 joint World Bank/IMF assessment found serious weaknesses in the Moroccan financial system. In particular, the assessment found serious solvency and liquidity issues with two large state-owned specialized banks, a lack of independence of the central bank, and an overall climate of weak prudential supervision of banks and other financial institutions.

Since 2002, the situation has improved substantially. Beginning in 2004 the GOM has strengthened the independence of the Central Bank. The Central Bank ended the "exemption" of state banks from prudential norms, substantially improved oversight of all banks, and moved decisively to bring Moroccan banks into compliance with Basel II prudential standards. In addition, the banks, on their own, have moved to expand services down market to small depositors and borrowers.

In the area of the legal environment for business, the GOM has made substantial progress, with USAID assistance, in improving the functioning of the commercial courts, reducing the paperwork burden of business registration, and achieving some progress in alternative dispute resolution. However, the most recent World Bank *Doing Business* indicators continue to show serious deficiencies in a number of important areas. The *Doing Business* indicators are useful both because they evaluate important objective criteria which reflect the quality of the business environment, and because potential foreign investors use the *Doing Business* rankings for information in making decisions about potential investments.

Morocco's position in the 2009 *Doing Business* report was disappointing. Despite carrying out a number of important reforms, Morocco's relative position in the rankings remained essentially unchanged, having improved only from 129th to 128th position, out of 181 countries studied in the two years. This reflects the fact that, while Morocco's business climate has undoubtedly improved, that of its competitors improved as well, leaving its position, more or less unchanged.

Most of the serious shortcomings revealed in the *Doing Business* ranking related in one way or another to investor protections, the continuing uncertain quality of legal processes, and the lack of effective alternatives to those processes. Specifically, Morocco ranked 164th out of the 181 countries in the general category of investor protections (actually protection of minority investors), 112th in the ease and reliability of contract enforcement, 131st in ease of getting credit (a combination of protection of creditor rights and information availability). In addition to these, Morocco ranked low in two other areas, ease of registering property (117th) and ease of employing workers (168th). The latter category is particularly troubling in that Morocco's low score results specifically from the difficulty of hiring workers. The problems new labor force entrants face in finding employment almost certainly relates directly to these structural impediments.

An alternative view of Morocco's position is provided by the World Economic Forum's *Global Competitiveness Report* (GCR). The GCR differs somewhat in concept from *Doing Business*. GCR addresses the investment climate as implemented, while *Doing Business* addresses the legal structure and processes. GCR addresses perceptions; *Doing Business* the reality.

Nonetheless, GCR cites many of the same investment climate factors as negatives for investment in Morocco. These include rigidity of employment (121st out of 134), lack of investor protections (118th), and restrictions on capital flows (112th). It should also be noted that interviews with private sector firms and associations revealed the same concerns with the policy environment. These were, for the most part, Moroccan firms that had already invested and had therefore overcome whatever impediments they encountered to establishing a business. Nonetheless, the same concerns with the legal and regulatory environment were mentioned repeatedly.

b. Initial Set of Policy Priorities

The initial set of recommended policy priorities for the MEC program is presented as a matrix in Annex B and summarized below. These are based on the Doing Business and Global Competitiveness Reports, views expressed in meetings with private sector firms and organizations, views of other donors and the views of the GOM itself. It should be noted that the first three items (grouped under the heading “Commercial Legal System Reforms”) are closely interrelated and should be considered as a combined program to improve the legal environment for business in Morocco. Any of the three taken by itself is unlikely to have a significant positive impact on the business environment.

Task 1.1.1 Commercial Legal System Reforms

Reform of the Commercial Registry

Private Sector participants have repeatedly emphasized the importance of problems with the process of legal dispute resolution, including cost, delays, and uncertainty of outcomes, as an impediment to investment in Morocco. These anecdotal reports are backed up by both *Doing Business* and the *Global Competitiveness Report*. Despite considerable progress under the ongoing, USAID-funded Improving the Business Environment Program, much remains to be done both to continue the current process and to spread best practices to all parts of the country. A critical central role in this process is the modernization of the commercial registry. In civil law systems, the commercial registry plays a key role in both business registration and secured transaction registration, and it is a public depository for financial reports and other critical documents. As such, it becomes a critical locus of and arbiter of “facts” about businesses, both publically owned and privately owned. At the regional level commercial registries are part of the court system, but at the national level, the operation of the national register has been delegated by the Ministry of Justice to OMPIC (the Moroccan patent and trademark office, an agency under the Ministry of Industry and Commerce). Modernization and computerization of the commercial registry throughout Morocco will enable a less costly and more accurate recording of secured transactions. It will also enable a more rapid and reliable registration of companies and investments. All of these items relate directly to the *Doing Business* indicators on which Morocco has scored poorly.

Although it is often associated with secured transactions reform in order to broaden access to credit by SMEs, modernization of the commercial registry is both broader and narrower than secured transactions reform. The commercial registry is a repository of a broad range of information on businesses. Thus, it can also facilitate unsecured credit (by providing lenders and suppliers with ready access to standardized financial information) and other financial transactions. With regard to the current system for secured financing, it functions poorly precisely because there is no unified national registry of such transactions, because it requires

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physical visits to the registry to register a security interest, documents are not standardized among regions, excessive and unnecessary documentation is required, documents are entered manually into a physical registry, then transferred to a computer record and physical documents are scanned but then archived.

The fundamental flaw in the current secured transactions process is that, from the point of view of government employees implementing the system (and probably from a legal point of view as well), the paper record is the real system and the computerized record, a reflection of it. Only by establishing a modern computerized system, with adequate security, backup, and disaster recovery, and by making appropriate modifications to law and regulations, will it become clear that the computerized record is **the** legal document. Once this modernized commercial registry is established, most of the heavy lifting in the establishment of a correspondingly modernized secured transactions system will have been done.

The Ministry of Justice and the Ministry of Industry and Commerce have both expressed strong support for USAID involvement in the modernization of the commercial registry. Although there is no specific private sector champion for this effort, the professional associations involved have been supportive. While the support required is primarily for institutional strengthening rather than policy reform (and is addressed in section IV.B.2.b below), some additional policy adjustments may be required.

Anticipated program results: Commercial registries are computerized and accessible on-line, with adequate security, in all regions and are centrally coordinated. This will include the “unique identifier” and the reform of the secured transactions law, enabling small business to better access credit.

Illustrative indicators:

Indicators are included under Task 1.2.1 below.

Bankruptcy Law

Reform of bankruptcy law is related to the previous item but raises a number of separate issues. In contrast to reform of the commercial registry, which is largely a technical issue, bankruptcy law pits creditor rights against the interests of distressed companies and a government interest in preserving ongoing economic activities in a way which is bound to be controversial. Where bankruptcy reform “fails”, it tends to be because the reform effort is captured by one particular interest group (e.g., bankers, borrowers) to the exclusion of others. Bankruptcy reform is a major effort but one that appears to be gaining momentum within the GOM. Both the Ministry of Commerce and Industry and the Ministry of Justice have asked USAID for assistance. The MOJ is working to establish a public-private bankruptcy commission which will be channeled through the national business environment commission. A number of private sector participants have emphasized the difficulty of legal processes and the uncertainty of realizing the value of assets as a serious impediment to investment. Problems with the bankruptcy law and process affect a number of indicators that contribute to the Doing Business ranking. The most important consideration in this effort is to assure that borrower, financial system creditor, and non-financial creditors are included in the discussion.

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USAID consultants who have reviewed the current bankruptcy law and procedure have indicated that the 1996 Bankruptcy Law, modeled on the French law at the time, is adequate but that it needs to be accompanied by improved regulations and procedures.

Anticipated program results:

- The Bankruptcy Law of 1996 will be accompanied by appropriate implementing regulations after thorough review by all stakeholders.
- Judges, court personnel, and bankruptcy trustees, at least within target regions(s) will be thoroughly trained in this law, as well as regulations and the business practices involved.
- If necessary, amendments to the 1996 law will be approved after being thoroughly vetted with stakeholders and the private sector to assure that all implications of changes are understood and that conflicting interests are appropriately balanced to achieve the GOM's objectives.

Illustrative indicators:

Indicators are included under Task 1.2.1 below.

Alternative Dispute Resolution

Intimately tied to other reforms of the legal system are the promotion of mediation and arbitration as alternatives to the court system. Alternative Dispute Resolution is a remedy for delays and inefficiencies in the legal system. Nonetheless, given that reform of the court system is a long process, alternative mechanisms for those cases that can be resolved outside the courts are a useful way of reducing costs to firms and producing a more reliable and timely result. A mediator or arbitrator is typically familiar with business practice as well as law and can usually be counted on to deliver an appropriate decision. The problem to date has been to develop a sufficient flow of mediation and arbitration cases to enable private ADR bodies to operate sustainably and effectively. The IFC has also been active in this area. Further promotion of ADR is an important activity both to provide an efficient and effective method of case resolution and to reduce the caseload and resulting delays in the commercial courts. Since late 2006, USAID has been supporting the Rabat International Center for Mediation and Arbitration (CIMAR). The volume of cases coming before CIMAR is still reportedly only a few per year. It is recommended that the Mission continue to focus its efforts on one center to develop a sufficient case flow to make it self-sustaining, while promoting the concept and practice of ADR more generally. Specific focus will be given to Ministry of Justice efforts to promote court referrals of cases for ADR resolution.

Anticipated program results:

- Businesses, judges, and lawyers are fully knowledgeable of ADR.
- There is increased referral of appropriate cases by judges to centers for mediation, such that the case flow through CIMAR and/or another center is sufficient to make it/them self-sustaining.

Illustrative indicators:

Indicators are included under Task 1.2.1 below.

Task 1.1.2 Targeted Assistance for BEC Reform Agenda

The Business Environment Committee (BEC) is chaired by the Prime Minister and consists of a number of important GOM Ministries as well as private sector representatives, with the Minister of General and Economic Affairs as the Secretary General. It is charged with addressing enabling environment constraints, including those highlighted in the World Bank Doing Business survey, as well as others submitted to it by the private sector. Under the MEC program, USAID will provide support to BEC priority activities, after first determining whether another donor has predominant capability for addressing specific concerns. The following describes two Doing Business constraints that USAID anticipates will require priority attention. However, final commitment to these tasks will depend on further consultation with the BEC, and with other donors.

Facilitation of Construction Permits, Property Transfers, Implementation of Common Business Identifier, and Facilitation of Business Registration

The costs and delays associated with construction approvals and property transfers are components of the *Doing Business* indicators and there is a substantial regional variation in these items within Morocco. The 2007 Regional Doing Business Survey, funded by USAID and carried out in collaboration with the World Bank, explored these regional variations in depth and produced a number of recommendations to be implemented in the regions. In the case of construction approvals, these recommendations included:

- Introduction and strengthening of one stop centers with full authority to approve construction projects and issue permits. These centers are already in use in Casablanca, Marrakech, and Tangier for large projects and all regions have them for small projects. This will enable an improved coordination of approvals for the entrepreneur and reduce the time required;
- Limit the number of and improve the coordination of construction inspections; and
- Put in place a time-limited approval process.

In the case of property transfers and registrations, the 2007 study found an enormous difference among regions in the difficulty and delay of the process. Here the recommendations were more general but still actionable. These include:

1. Simplifying and combining registration procedures;
2. Simplifying taxes; and
3. Introducing accelerated procedures.

In addition, the implementation of the common business identifier and the facilitation of business registration, areas in which USAID has extensive previous involvement, are likely to require some additional work.

Anticipated program results: By the end of the MEC program, there will be a reduction in the variation in the costs and time required to obtain permits for business construction, to register property, and to register a business, with all regions within Morocco adopting best practices.

Illustrative indicators:

Indicators are included under Task 1.2.2 below.

Task 1.1.3 Other Policies meriting limited analytical assistance

The above four policy areas have been selected because they have the greatest potential for impact on Morocco's competitiveness, have reasonable expectations of GOM buy-in, have private sector support, and have a history of USAID involvement. There are other policy issues that, although not a focus of the program, could benefit from limited USAID analytical involvement. In addition, during the implementation period of this Task Order, it is possible that forward movement under one or more of the current priority policies may stall, and attention may need to shift to other priorities through a modification of the contract. In part, the relegation of issues to the "other policies" list is based on the need to focus limited program resources on those issues where greatest impact can be achieved. The bidding firms should demonstrate potential capacity to address the following issues, as well as actual capacity to address those highlighted above. If bidding firms believe that the priority issues plus one or more of the following issues can be addressed within funding limitations, they are welcome to propose this. Any assistance to be directed at the following issues will be subject to specific USAID approval as part of the annual workplan submission and approval process.

Company Registration and Investment Registration

The issue of the bureaucratic obstacles to company registration and investment registration is one that has received considerable attention from USAID and other donors and in which considerable progress has been made through the GOM's Regional Investment Centers. The most recent *Doing Business* survey ranks Morocco relatively high (62nd place) in the category of Starting a Business. However, this ranking largely reflects the efficiency of the Casablanca center and the 2007 regional *Doing Business* survey, funded by USAID and carried out in coordination with the World Bank, revealed a wide variation in the effectiveness of the regional centers. Moreover, there continues to be confusion between the central government and the regional centers over responsibilities for investment registration. The GOM has indicated considerable interest in continuing to improve the Regional Centers and USAID's prior effective involvement in this effort strongly suggests that it remain receptive to further assistance to the Centers, resources permitting. The coordination between the recently created National Investment Promotion Agency (AMDI) and the Regional Investment Centers is also a concern. The former is under the Ministry of Industry and Commerce, while the latter are under the Ministry of Interior.

Taxation of Companies as impediment to formalization

The downside of Morocco's relatively healthy fiscal situation is that Moroccan companies are subject to significant taxation. These consist of value added and profit taxes combined with payroll and other levies. The weight of business taxation constitutes a strong incentive for small businesses to remain informal. Informal enterprises are not entirely untaxed, since they pay value added tax on inputs they buy from formal sector enterprises. The solution to this problem is not entirely clear. To reduce or eliminate the profit tax for small enterprises would significantly shift the tax burden in ways that would be both controversial and probably unfair. Before this

issue can be raised to policy makers, it would be necessary to carry out a thorough study of the true costs of taxation and other costs of formalization and compare them with the benefits of formalization.

Corruption

Virtually all observers of the Moroccan economy agree that corruption is a serious problem for the country's future growth. Corruption in public procurement, rent seeking by petty officials, and other forms of official corruption are repeatedly cited, especially by the private sector, as an obstacle to doing business. With the recent establishment of the *Instance Centrale de Prevention de la Corruption*, there appears to be the political will to begin to address this serious issue. The President of the Instance has asked for USAID assistance in this effort.

The first lesson from prior USAID, and other donor, experience is that the problem of corruption is best addressed as a “technical” issue, rather than a policy or even a law enforcement issue (the latter approach would be precluded for USAID in any case). The key to success is to reduce the opportunities for corruption. The three key measures applicable in the case of Morocco are:

- Reducing administrative discretion;
- Eliminating “choke points” where the bureaucracy can simply do nothing; and
- Increasing transparency.

The clear point about all of these anti-corruption measures is that they are the sort of measures which ought to be undertaken in any case, even if corruption were not a problem.

The three general principles of reducing administrative discretion, eliminating choke points, and increasing transparency (and accountability) are best illustrated in activities that USAID is already undertaking. In facilitating business registration and investment through the regional CRIs, USAID has promoted the mechanism of the “one stop shop”, in which business investment and registration processes are co-located in a unit whose job is to register businesses and investments on behalf of other agencies. The chief benefit of the “one stop shop” is not that it saves the potential businessperson or investor taxi fare. It is that it reduces opportunities for rent seeking (at least, unobserved rent seeking) on the part of dispersed bureaucrats. Similarly, the establishment of “automatic approval” systems eliminates choke points that are the source of much corruption.

In attacking corruption it is best to start at the bottom. The most obvious reason for this is that lower level corrupt officials are likely to have less clout than higher level officials. Also, the same basic approach is applied to both. If the basic approaches of reduced discretion, eliminated choke points, and increased transparency, can be applied at lower levels, then the GOM can begin to work up the chain, and address higher levels of corruption.

The conclusion and recommendation is that an anti-corruption effort be integrated in the broader trade and investment facilitation effort rather than undertaken as a separate program. The

same principles of enlisting GOM support and seeking private sector champions need to be applied to anti-corruption efforts as they are to other policy reform activities.

Labor market rigidity

As noted earlier, the World Bank Doing Business survey has highlighted the significant rigidity of the Moroccan labor market, ranking it 168th out of 181 countries. The issues concerned both the hiring and firing of workers. In the case of hiring, the key issues are the high ratio of the minimum wage to average worker value added (75%), and the limited ability to use contract workers rather than full-time employees. In the case of firing, the issues are the need to seek third party approval before dismissing 25 or more employees, employer responsibility for retraining or reemploying such employees, and severance pay requirements.

Interviews with public and private sector leaders indicate that at least for now political considerations prohibit major reforms to labor law. However, this may change in the future and opportunities for targeted reforms may become feasible. Given the significant impact that labor market rigidities have on limiting investment and employment, it will be important to track and respond to any such opportunities.

c. Mechanism to adjust priorities during implementation

During preparation and review of Annual Work Plans, the implementing contractor and USAID should revisit the policy matrix and confirm the level of effort that should be dedicated to each initiative, based on the program implementation experience. This review should pay particular attention to modifications of priorities by the GOM Business Environment Committee. It is possible that some of the issues on the Watching Brief list should move up to the active policy reform effort list, and others should be moved downward to Watch status.

2. Component 2: Improved Capacity for Key GOM Institutions to Implement Reforms

a. Background

The following institutional constraints are specific points for attention for the MEC program:

- Strategic planning and programming remain centralized, predominantly if not exclusively in the government domain, despite the regional reorganization of the Moroccan administration (Morocco has 16 regions governed by *Walīs* (Governors appointed by the King). The GOM has determined that this must change, creating a climate for decentralization and *deconcentration* of authority, staff and budget resource allocation and related capacity building. Meanwhile, in the prevailing *dirigiste* context of central control, there is little discretion or flexibility to adapt, modify or innovate. Private sector entities such as Morocco's trade associations tend to mirror this propensity for centralization.

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- Human resource capacity and competence are often inadequate or irrelevant to needs. This applies to the fields of professional management, particularly at the middle level, workforce skills, and the mix of expertise that organizations bring to bear for their missions. In the public sector, missions include services which could be more appropriately provided by the private sector.
- Positive performance incentive systems are non-existent or dysfunctional. Personal performance is, at best, loosely linked to institutional objectives, and organizations are ineffective at defining, measuring and assessing performance. A recent USAID assessment notes that public sector commitment to implement staffing plans, job descriptions and performance plans as part of the Government's public sector reform program has had little impact, leaving many employees demoralized, unmotivated and unproductive.
- Access to current, reliable information and analysis to inform public policy, program development, and implementation is an endemic problem. Rigorous, quantitative monitoring of specific programs rarely occurs; hence, there is no feedback loop. Similarly, in the private sector the information constraint (markets, standards, regulations) is a major challenge in the business climate for trade and investment, often cited as an obstacle to more aggressive Moroccan enterprise response to the FTA.
- Coordination and consultation among government bodies and in their interaction with relevant private sector entities is extremely weak. This can become a crippling constraint to "teamwork" in the public sector where responsibilities are fragmented and duplicative, and erode efforts to forge public/private partnerships.
- Issues of political will, trust, business "culture" and tradition are more sensitive issues. Nevertheless, they can be major drags on change and "traction" for reform and capacity strengthening measures necessary to or reinforcing A.O. 3 accomplishments.

b. Initial set of economic enabling environment institutional strengthening priorities

Task 1.2.1 Legal and regulatory frameworks

Proposed activities

Activity 1: Reform of Commercial Registry. Continue collaboration with the GOM to complete a uniform modernized Commercial Registry that is consistent and accessible at national and regional levels. Further strengthen capacity of the Ministry of Justice at the national level and the regional commercial courts to maintain and use the Registry. Assistance is expected to continue to take the form of short-term TA (some highly specialized) and training, primarily for justices, court personnel, lawyers, and accountants in Morocco's reformed Commercial Registry. Training will also continue to assist with modernization of the Registry. This activity aims at recording, sharing and applying commercial information via the Commercial Registry, not at broader capacity building in the Ministries of Justice and Industry and Commerce.

Anticipated Program Results: Commercial Registry

- "Common Identifier" and Secured Transactions Registry components of the Commercial Registry completed by year 2.
- Training and TA during the process of modernizing the Commercial Registry completed by end year 3.

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- Commercial Registry completed and modernized by end of year 3.
- Training of justices and personnel in the reformed Registry at central (MoJ) and regional (commercial court) levels completed by end of year 3.
- Reformed central Commercial Registry fully operational by beginning of year 4.
- Successful reform and implementation of Commercial Registry assessed.

Illustrative Indicators

- A mid-term MEC evaluation documents that a modernized, automated Commercial Registry is functioning; end year 3,
- A mid-term MEC evaluation documents expanded use of the Commercial Registry in business registration, registration of secured transactions, and as the repository for financial reports and other critical documents for both privately and publically owned enterprise.
- MEC sponsored surveys document increased commercial sector awareness of and response to Commercial Registry reform.

Activity 2: Bankruptcy Law Reform. Assist the GOM to complete legal reform and implementation. This is a technical task, requiring world class expertise, fully versed in bankruptcy law. Likewise, a substantial amount of short-term, specialized in-country training (seminars, workshops) will be necessary to build a corps of thoroughly knowledgeable justices and “experts” (court personnel who assemble case facts), court-appointed trustees, and a legal community also fully familiar with the bankruptcy law, regulations and settlement procedures. Both the Ministries of Justice and Industry and Commerce are receptive to assistance, and a public-private bankruptcy commission has been established. Because of its inherent complexity and competing interests, this will be a long and contentious process, with consensus building a key objective.

Anticipated Program Results: Bankruptcy Reform

- Confirmation of commitment of principal partners and stakeholders to proceed with bankruptcy law reform. Alternatively, emergence of a champion of the cause. Provision of technical expertise to facilitate forward movement and to map out a plan to proceed; end year 1.
- Implementing regulations developed and vetted with stakeholders and the private sector, with technical assistance as needed; end year 2.
- Training in bankruptcy procedures and practices implemented in years 2 through 5.
- If necessary, provision of assistance in drafting amendments to the bankruptcy law for legislative action, and implementing decrees, or equivalent, end of year 4.

Illustrative Indicators

- Legal and business community perception of bankruptcy law issues as positive influences on the business climate; MEC sponsored survey year 1 vs. year 5.
- Time required to complete bankruptcy litigation and settlement; years 1 and 5.

Activity 3: Alternative Dispute Resolution (ADR). This activity is expected to continue to focus largely on mediation, which has more traction in Morocco at this time than arbitration. A fundamental challenge and objective is to encourage a caseload in the private sector sufficient to enable viable, self-sustaining private ADR bodies such as the CIMAR, the recipient of some USAID support. USAID has funded short-term training, a number of Moroccans are now

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qualified trainers in mediation, and training and orientation would continue, *inter alia*, to familiarize target groups with forms of ADR, with a focus on mediation.

Anticipated Program Results: ADR

- One or more mediation centers developed with provision of requisite TA and training; end year 2
- “Outreach” awareness and orientation programs conducted in targeted legal and business communities; years 1-3.
- Mediation caseload reaches requisite volume for viability and sustainability; year 4

Illustrative Indicators

- Increased awareness and knowledge in the commercial and legal communities of mediation as a viable alternative to the commercial courts (MEC sponsored surveys years 1 and 5).
- Increase in mediation caseload.
- Reduction in backlog in commercial courts

Task 1.2.2 Targeted Support for GOM Business Environment Committee Reform Agenda

Activity 1: Construction Permits and Transfer of Property. This should be a less TA and training-intensive involvement, aimed particularly at computerization of these two processes. Maintaining security and soundness of electronic information is an imperative. Computer systems training (short-term, contracted locally) and a modest amount of expatriate TA (versed in French civil law) is required.

Anticipated Program Results: Construction Permits

- Authority and procedures for approval of construction projects and issuance of construction permits are simplified and centralized, regionally, in “one stop” offices or centers located in each of the sixteen regions. Approvals for smaller projects will be co-located in existing centers for larger approvals in Casablanca, Tangiers and Marrakech, end year 3; and for approval and permitting of projects of whatever size in all other regions; year 5.
- Construction inspections, which can slow building and involve abusive “rents”, show substantial decline through consolidating inspections and more selective inspection requirements; baseline year 1 and final year 5.
- Time for approval of construction permits cut by 30 to 50%: baseline year 1, final year 5.

Illustrative Indicator: Construction permit indicator in Regional Doing Business in Morocco surveys, years 1 and 5

Anticipated Program Results: Property Transfer

- Proposals to consolidate, simplify and accelerate property registration procedures are adopted and measures further developed to simplify and consolidate property registration in selected “trial” jurisdictions or more broadly; year 2.

Illustrative Indicators

- Time to register property transfers cut by 30 to 50%; baseline year 1, completion year 5
- Paperwork and procedures simplified as documented by Regional Doing Business in Morocco surveys, years 1 and 5.

Mechanism to adjust priorities during implementation

Implementation of complex reform and “cutting edge” or pilot activities and forging new partner relationships requires close oversight and adjustments in approach. It also requires close attention to shifting political conditions, and conflicting or overlapping other donor initiatives. USAID support for enabling environment improvement will be closely coordinated with the GPM Business Environment Committee, which will identify and support key reforms.

The contractor will establish a focused, manageable (efficient) monitoring and evaluation system for the program as a whole, which draws baseline and timeline data selected results indicators from partners, analyzes and - in consultation with USAID and partners – uses this feedback to make program and resource allocation adjustments. A mid-term assessment of progress (contracted separately by USAID) will also furnish recommendations for adjustments. An end-of-program external evaluation (funded separately by USAID) will focus on program accomplishments, sustainability and lessons learned including best practices and their replicability. These mechanisms will apply to the entire MEC program. In addition, a “Doing Business in Morocco” survey, regionally disaggregated, will be expected in the first and final years of the Trade and Investment component. The DB in Morocco survey will be carried out in collaboration with the World Bank, using resources obligated in the contract resulting from this RFP.

In preparing annual work plans, the implementing contractor will be required to review the institutional strengthening agenda and propose modification based on experience.

3. Component 3: Increased Private Sector Participation in Reforms

a. Background

In addition to assistance to the GOM on policy reform and institutional development, it is important for the USAID economic growth program to continue to assist firms to develop new markets, especially to seize the opportunities offered by the US-Moroccan Free Trade Agreement.

In general, business associations in Morocco are not strong. The exception to that rule is the *Confederation Generale des Entreprises du Maroc* (CGEM). CGEM plays a powerful role as a lobbying organization with the GOM and wields considerable influence. However, its role as a service delivery organization is limited. CGEM's constituent sectoral associations are weak. However, if one of the objectives of the USAID EG program is to provide an ongoing source of assistance in exporting to the US market under the FTA, it is more useful to institutionalize this assistance in sectoral level associations (and through the newly reorganized Maroc Export) rather than attempting to provide such assistance directly to firms on a one-off basis.

Assistance to Moroccan firms is most helpful in providing timely price and standards information, particularly for the food processing industry. Price information provided from official USG channels tends to be of little use to exporting firms because it is out-of-date and at too aggregated a level to be of use to a businessperson who needs to know the price being offered for a very specific product currently. Similarly, assistance needs to identify specific buyers in

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particular regions of the US. Assistance with developing transportation links will also be useful because sea transport and even air cargo routes between Morocco and US destinations need to be more developed. The leather products industry particularly needs assistance with improving supply, production and business to business contacts. A high level of support for promoting the export image of Morocco would probably produce limited results.

It is important to examine, in some detail, the experience of the New Business Opportunities project, to determine why its efforts, particularly in the garment industry, have not been more successful in developing the business opportunities presented by the US-Moroccan FTA. It appears that a combination of (1) the declining value of the dollar vis-à-vis the Euro, (2) differences in ways of doing business between European and US buying firms, (3) the generally small size of Moroccan garment producers, and (4) the limited availability of direct transportation links between Morocco and US destinations have limited the ability of Moroccan garment producers to expand their sales in the US, despite the opportunities.

One sector that appears particularly promising for further development is agribusiness and food processing. Morocco produces a number of high-value-added products for which the US could provide a significant market. These include olive oil, olives, capers, berries, spices and specialty canned products. Unfortunately, until and unless better air cargo or rapid sea transport is available, the ability to access the US market for fresh produce will be limited.

A second sector with obvious promise is leather products, where Morocco's image for high quality is already well-established. The question here would be, as with garments, whether the supply volume would be sufficient to tempt US mass-market retailers, or whether Morocco would be competing for a high-end niche market.

Another sector with potential is high-tech (or even not so high-tech) firms supported by venture capital. Venture capital firms in Morocco are relatively new, but the *Association Marocaine des Investisseurs en Capital* (AMIC) provides a vehicle for a low level of support for a new sector of considerable promise. The type of firms supported by VC could provide employment opportunities for the large number of new graduates who currently find a scarcity of employment opportunities in Morocco.

Priority under the MEC program will be given to food processing and other agribusiness and venture capital (VC), with a third sector to be chosen later. The level of effort devoted to the VC sector should be considerably smaller, in line with the nature and requirements of the sector. In the case of VC, assistance is likely to take the form of technical assistance in particular technical areas to help VC firms in carrying out their due diligence.

Assistance should focus on providing market participants with timely, actionable, and specific market information, focused on accessing the US market, and assistance in meeting the requirements of export markets in general and the US market in particular. Proposing firms should demonstrate a capacity to provide high-quality, short-term technical assistance in a wide range of sectors, including food processing, clothing, and leather goods, as well as assistance in logistics.

b. Initial set of public private participation priorities

Task 1.3.1: Public/private sector partnerships for Export Promotion. This activity will assess and, as deemed viable, improve services to exporters provided by trade associations or other entities such as venture capital investment groups like AMIC and the Casablanca-based Sherpa Club. Public sector entities such as *Maroc Export* should be considered for the public side of the partnership and for capacity building. This activity will institutionalize capacity to provide services to prepare Moroccan enterprises to meet requirements of the US/Morocco Free Trade Agreement (FTA), and to take advantage of FTA export opportunities. Mobilizing world class experts to conduct seminars and workshops on salient export and FTA topics would be one such action. The public sector is not very effective in providing current export market information. Thus, improved services would include designing and setting up systems for delivery of the most current US market information available, and training in product standards and other regulations in priority sectors. The respondents to this RFP should discuss how they would develop private export market information services and institutionalize business access to them. Strengthening private sector organizations to advocate policy measures broadly representative of member interests in improving the Moroccan business climate will also be a focus of this activity.

Anticipated Program Results: Export Promotion

- One or more export promotion partnerships with private and public sector organizations aggressively pursuing export promotion; years 3-5.
- Workshops, seminars and other “information outreach” activities conducted to promote Moroccan orientation to and participation in the FTA and to identify and, where feasible, address persistent hindrances; annually, years 1-5.
- One or more private firms or trade associations collecting and successfully offering domestic and export market information services, commercially, to the private sector; year3.
- Effective Moroccan advocacy organization that advances member policy and institutional reform agendas directed at strengthening export competitiveness and improvements in the business climate; years 2-5.

Illustrative Indicators

- Contractor completion of assessment of potential export promotion partnerships with private sector organizations, and related partner capacity strengthening needs; year 1.
- A strategy and plan of action developed specifically to build private sector capacity to collect and offer timely, responsive market information to Moroccan enterprises on a commercial basis; year 1. Market information service operating year 3.
- Statistics reflecting growing Moroccan participation in and business and economic benefit from the FTA; baseline data 2008 annually through activity end.

Intermediate Result 2: Water Used Sustainably for Agricultural Growth

Introduction

The combined challenges presented by an under producing agricultural sector and a crisis in agricultural water management largely have their underpinnings in weak policies and institutions at the national and local level. To address these concerns, the Government of Morocco has

made significant strides in developing cogent policies that confront some of the most significant problems outlined above in both the agriculture and water sectors.

The recently launched Green Morocco Plan (*Plan Maroc Vert*) (2008-2015) presents a new growth strategy for the agriculture sector that aspires to increase food security, boost Moroccan agricultural exports and conserve water. The government hopes to enhance the agricultural sector's contribution to GDP by 100 billion dirhams. Significant institutional reforms are proposed, including a shift in the Ministry of Agriculture and Fisheries from a production-centered orientation to an approach to agricultural growth driven by the market and adapted to the dynamics of competitive global agricultural markets and value chains.

Plan Maroc Vert focuses efforts on two distinct pillars that reflect the multiple strategic roles played by the agriculture sector in the overall health of the Moroccan economy. Pillar One (*Agriculture Moderne*) focuses on competitive growth products in the area of high value and value-added agriculture. This pillar focuses largely on irrigated perimeters of government run large-scale surface water irrigation schemes managed by the *Offices Regionales de Mise en Valeur Agricole (ORMVAs)*. Pillar Two (*Agriculture Solidaire*) concentrates on organizing producers in the smallholder agriculture sector to reduce poverty, ensure stable rural employment, enhance productivity, and increase incomes. This pillar focuses on rainfed agricultural areas as well as small farmers in ORMVAs as well as zones supplied by small/medium independent irrigation works (*i.e., Petite et Moyenne Hydraulique – PMH*). Both pillars promote market distribution and links to export markets, accelerated land reform, strengthened professional organizations, and institutional reform of the Ministry of Agriculture and Fisheries.

Plan Maroc Vert also includes important initiatives for rational and sustainable agricultural water management including a new policy for irrigation management based on delegated management of the irrigation districts to the private sector, availability of financial and other incentives to improve water use, and disseminating improved and more efficient irrigation technologies. The Plan also recognizes the need to selectively mobilize non-conventional sources of water, institute a water valuation and tariff system to give incentives to economize and use water for its best economic use, and undertake measures to manage water demand by agricultural users.

To implement *Plan Maroc Vert*, the regional offices of the Ministry of Agriculture and Fisheries are required to prepare their own Regional Agriculture Plans. The regional plans are to be prepared in consultation with regional bodies such as the Regional Agriculture Chambers of Commerce, the Regional Councils and the Wilaya. Private sector input is included in the consultation process as represented through the Agriculture Chambers and Regional Councils.

On the water resources management side, an analogous policy reform effort has been underway at the highest levels of the national government. The Ministry of Environment and Water is working with stakeholders to finalize a National Water Plan that is expected to be as broad as the *Plan Maroc Vert* in scope. Although not definitive yet, senior government officials have indicated that among the policies put forward will be demand-side approaches including increased adoption of water efficiency measures in agriculture (including the conversion of surface irrigation to drip irrigation in the large irrigated areas and PMH), as well as supply-side measures such as promotion of wastewater reuse for productive uses, expansion of desalination for high-value water uses in coastal areas, and development of interbasin transfer of water resources in selected cases.

Target regions

While some policy level activities will be implemented in collaboration with GOM ministries at the national level, the majority of interventions will be carried out in two focus geographic regions: Doukkala and the Oriental.

These regions were selected based on several criteria, including their vulnerability to water stress, the availability of opportunities to enhance agricultural productivity, competitiveness, and employment through optimizing water use, identified value chains that could benefit from improved water use management, the existence of a range of different agriculture water sources and irrigation technologies; alignment with government priorities, and the presence of collaborative local partners and enabling environment to advance government policies on water and agriculture. USAID has also selected these regions as target areas for due to the presence of ongoing and prior USAID activities on which MEC can build.

Doukkala is a coastal region that is one of the most important agriculture regions in the country, producing sugar, wheat, and dairy products. It is also an important zone for high value horticultural production, particularly vegetables such as tomatoes. The region is served by a network of large dams and a surface irrigation distribution network serving three major irrigation perimeters: Doukkala, Tadla and El Haouz. The area has suffered substantially from the chronic droughts plaguing Morocco over the last 10 years, and the availability of ORMVA water actually available for irrigation is far less than system was designed to distribute – in some years dropping as low as 20% of the maximum potential. The irrigation system complex is under increasing competition from other water users, including domestic, commercial and industrial consumption, further exacerbating water shortages for agriculture. In some areas such as the coastal band of horticultural producers, largely uncontrolled groundwater extraction by individual farmers is also prevalent. Water use for agriculture is generally inefficient, especially in gravity fed irrigated perimeters and for relatively low value crops such as sugar beet produced primarily by small landholders. There is some commitment on the part of the private sector and specific producer associations (e.g., sugar beet, dairy, etc.) to work with the government and small farmers to increase adoption of more efficient irrigation technologies and approaches.

The Oriental is Morocco's poorest region on the northeastern border with Algeria, with some of the highest rates of rural unemployment in the country. A large and diverse region, it includes vast semi-arid/arid rainfed areas in the south which are dominated by livestock production (ovine and bovine), as well as an irrigated perimeter area in the north that is among the largest producers of citrus and olives in the country. Increased agricultural production, especially in economically attractive value chains including *produits du terroir*, is seen as a linchpin to increase incomes and absorb labor in the region. The Oriental is also experiencing water stress. Livestock producers in rainfed areas are increasingly exploiting groundwater resources to expand production, with unknown long-term hydrological consequences. Planned expansion of olives and fruit tree cultivation in currently rainfed areas will also require careful planning regarding use of scarce water resources at the farm level. In the irrigated perimeters, water use efficiency has not been tackled sufficiently to date, especially for highly water consuming crops including clementines.

In both regions, the ORMVAs, River Basin Agencies, Provincial Governments, Regional Agricultural Offices, and Waliyas have demonstrated a strong commitment to optimizing water use in agriculture and promoting sustainable growth of the sector. Regional agricultural plans to

implement the *Plan Maroc Vert* are well advanced or finalized, and include ambitious targets to reduce water use per unit of production, GDP, and employment. Private sector actors in each region have also joined in the commitment to address critical water management challenges while ensuring continued growth and competitiveness in agricultural production for domestic as well as international markets.

Component 1: Key Water Management and Agriculture Policies Supported

Task 2.1.1 Consequences of Non-Market-Clearing Water Pricing (Shadow Pricing)

This is perhaps the most difficult policy issue identified by the team. Morocco is a water scarce country, particularly when it comes to agriculture. Yet farmers are not charged close to a market-clearing price for the water that they use. There is no inclination on the part of the Government to significantly increase water-use charges. Rather, the GOM relies on a combination of subsidies and command-and-control mechanisms to achieve its objectives. However, in the absence of clear market signals, farmers are unlikely to adopt measures that in effect represent increases in cost, and the likelihood of success from this approach is questionable.

The “second best” approach to policy is a very complicated one, i.e. how to achieve through alternative mechanisms the result that would be achieved through a market clearing price in the presence of a heavily subsidized price. Given the importance of the water issue, it would be helpful for USAID to assist the GOM to sort through these complexities and achieve a workable solution.

The GOM is undertaking to implement a number of policies to optimize the use of water (including treated wastewater) given that water is implicitly heavily subsidized. However, in any program of subsidy or administrative mandate, it is important to know how far from a market-clearing price, the administered price is. Small deviations (say 10-20 percent) can be compensated for by modest subsidies or administrative controls. Larger deviations are much more difficult. Therefore, the calculation of the market clearing price –“shadow price”--is an important piece of information by which to judge the likely success of project activities.

Anticipated end of program status: Government Policy formulated in each region by a thorough understanding of the shadow price of water and appropriate incentives provided to producers to adopt water saving technologies. Through the implementation of a series of subsidies and mandates, Morocco will approximate the cropping pattern and technology use that would result from a policy of market clearing prices.

Illustrative Indicators

Indicator #1

Number of policies and procedures developed for more efficient water use for agriculture and agro-processing

Indicator #2

Number of public consultations in agriculture and water policy development.

a. MEC supported activities

Task 2.1.2: Formulate Agricultural Wastewater Reuse Policy and Procedures at the National Level

Background:

There is increasing commitment on the part of the Government of Morocco to seek innovative approaches to expand water supply for all users in the country. One area of particular interest is promoting expanded use of treated wastewater for a variety of applications. Support for increased wastewater reuse is a key element in the National Water Plan under development, and has been particularly endorsed by the Ministry of the Interior. While there is interest in many cities throughout the country in incorporating wastewater reuse in their plans for water use optimization, many obstacles remain to permit an appropriate and cost-effective scaling up of these approaches. Among the most fundamental impediments at this stage is the fact that Morocco still does not have complete or clear policies, laws, or regulations to guide effective and safe reuse of treated wastewater for agriculture or other purposes. The Ministry of Interior has asked USAID to help develop a policy, legal/regulatory, and institutional framework for wastewater reuse that will serve an important foundation to maximize the potential for this approach in expanding supplies for agricultural application.

In developing actions, the Contractor should draw on the experiences of other countries as necessary, and build on the results of the current USAID Pilot Project in Meknes for the Reutilization of Treated Waste Water for Irrigation implemented under the Blue Revolution Initiative (BRI) Task Order of USAID/Office of Middle East Programs, as well as prior USAID/Morocco programs in wastewater treatment and wastewater reuse in Agadir and Drarga (see Attachment 1 for more information). The Contractor should also consult a recent European Investment Bank analysis on the potential for utilizing treated wastewater in Morocco for agricultural and other applications.

Desired Results:

- A clear and comprehensive policy and legal framework for agricultural wastewater reuse in Morocco to facilitate accelerated and appropriate adoption of this approach throughout the country.

Illustrative Deliverables:

- Draft national policy document for wastewater reuse for agriculture developed in consultation with the public and private sectors.
- Draft wastewater reuse implementation framework developed in a consultative manner with stakeholders including, at a minimum, proposed legal and regulatory requirements, health

and safety standards, institutional structure, roles and responsibilities of key partners, and financing mechanisms for agricultural wastewater reuse.

Indicator #2

Number of public consultations in agriculture and water policy development.

Task 2.1.3: Reduce Financial Constraints to Adoption of Water-Efficiency Technology at the Farm Level

Background:

An accelerated adoption of more water efficient irrigation technologies will only be possible if the financial constraints facing farmers – both individually and collectively – are resolved. Currently, farmers in Morocco investing in drip irrigation are eligible for a 60 percent subsidy on equipment costs from the Agricultural Development Fund (ADF) operated by the Agricultural Credit Bank and administered through the Ministry of Agriculture. The procedure for accessing this subsidy has historically been bureaucratically complicated, presenting an obstacle especially to smallholder farmers who wish to convert to more efficient irrigation technologies. Although some improvements in streamlining the loan process have been made (e.g., through the introduction of “*Guichets Uniques*”), barriers still do exist in some cases.

Even when this subsidy can be accessed, smallholder farmers are often still not able to raise the remaining funds necessary to make investments in irrigation system conversion. Efforts by River Basin Agencies to supplement the existing 60% government subsidy with an additional 20% of the total cost have faced bureaucratic complications. Individual access to credit for parcel-level improvements is likewise problematic because small farmers often lack land title and other forms of collateral. Obstacles are also faced by farmers attempting to access credit / financing collectively, presenting a fundamental constraint to large-scale adoption of these technologies.

The Contractor will work to address these common financing challenges at the national policy scale through proposing modifications to policies, regulations, procedures and institutional structures in order to streamline and increase access to financing at all scales.

Desired Results:

- Reformed enabling environment that improves small farmer access to credit and other forms of financing for individual and collective investments to optimize agricultural water use.

Illustrative Deliverables:

- Recommendations to the Ministry of Agriculture on how to modify national policies, procedures, and institutions to make financing more available to smallholder farmers for investments in drip irrigation and other water efficiency technologies at the individual and collective scale, developed in close consultation with the public and private sectors.
- Detailed action plan for Ministry of Agriculture to implement policy / procedural / institutional recommendations to improve access to financing for water optimization investments.

Indicator #1

Number of policies and procedures developed for more efficient water use for agriculture and agro-processing.

Indicator #2

Number of public consultations in agriculture and water policy development.

Task 2.1.4: Improve Energy Policies to Support Optimized Water Use for Agriculture

Background:

A significant amount of energy is consumed in the pumping, distribution, and treatment of water for agricultural and agro-processing applications. Very little attention has been paid to date in understanding how Government of Morocco policies on energy either help or hinder the optimization of water use in agriculture. Energy is often the principal cost associated with the delivery of irrigation water and, depending on the energy source, national pricing/subsidies or other supply-side or demand-side policies can either encourage or discourage water efficiency practices. A strategic opportunity for USAID assistance is the analysis of linkages between current energy policies and agriculture water consumption and proposals for specific reforms to optimize water use. Issues for the Contractor to address include an assessment of the types and amounts of energy consumed in various irrigated agricultural systems; the economics of energy consumption related to agricultural water use; the impact of Government of Morocco energy policies (including pricing and subsidies) for diesel, propane gas, and grid electricity on consumption patterns related to agricultural water use; and the potential role of water and agricultural policies to explicitly support energy efficient technologies and practices and vice versa.

Desired Results:

- Reformed government supply-side and demand-side energy policies that encourage optimization of water use for agriculture.

Illustrative Deliverables:

- Analysis and recommendations on energy supply-side or demand-side policy options for increasing energy efficiency related to water use for agriculture and agro-processing.
- A national stakeholder workshop for dissemination of recommendations on improved energy policy for water delivery for agriculture, and to solicit public comment on the document.

Indicator #1

Number of policies and procedures developed for more efficient water use for agriculture and agro-processing.

Indicator #2

Number of public consultations in agriculture and water policy development.

Component 2: Improved Capacity for Key GOM Institutions to Implement Water/Agriculture Policies

Background

Sustainable Water Use for Agriculture Development recognizes that a critical element of success in achieving necessary water and agriculture reforms is the existence of strengthened and capable institutions at the national, regional and local levels. Some targeted reform work with national-level institutions will be important to program objectives. However, most efforts will focus on regional decentralization of national-level water and agricultural policies and effective delegation of agricultural water use management responsibility, authority and resources in the Doukkala and Oriental regions. Targeted institutions include but are not limited to Regional Irrigation Offices (ORMVAs), Regional Directorates of Agricultural (DRAs), Waliyas (the equivalent of regional governor), River Basin Agencies, wastewater treatment utilities, and regional Chambers of Agriculture.

Some entities will prove more appropriate for and amenable to reform and capacity building assistance than others. Most are directly involved in changing organizational structure and roles mandated by *Plan Maroc Vert*. In most cases, these fundamental adjustments are works in progress, thus presenting an opportune window for influencing and supporting constructive reform. Creating the optimal professional staff mix, “on the job” training, some form of responsibility and recognition for performance, and effective program monitoring to inform management and planning are indicative strengthening priorities.

Capacity to implement Plan Maroc Vert. *Maroc Vert* provides the broad action framework for the Government’s *deconcentration* and decentralization program, as well as the national strategy for a more competitive, market driven agriculture sector. Targets for possible USAID institutional assistance in this endeavor include the entities cited above, particularly the ORMVAs/ DRAs, Chambers of Agriculture, trade and farmer associations, and *aggregateurs* (intermediaries in the farm – to – market chain).

Strengthened capability for participatory engagement in the Maroc Vert-mandated Regional Agriculture Plan process. To implement *Plan Maroc Vert*, the regional offices of the Ministry of Agriculture and Fisheries are required to prepare their own Regional Agriculture Plans. The regional plans are to be prepared in consultation with regional bodies such as the Regional Chambers of Agriculture and Commerce, the Regional Councils and the Wilaya. Private sector input is included in the consultation process as represented through the Agriculture Chambers and Regional Councils.

Proposed Tasks

Task 2.2.1: Develop Institutional and Operational Structures for Agricultural Wastewater Reuse at the Regional Level (Meknes and Oriental)

Background:

Institutional and operational structures are needed to generate sustainable practices and acceptance to increase the use of treated wastewater for agriculture in Morocco. Some regions

including the Oriental and Meknes-Tafilalt provide near-term opportunities for reutilization of treated wastewater to increase water supply for the agricultural sector due to favorable conditions including the presence of an operational wastewater treatment facilities with the option for tertiary treatment, proximity of irrigated agriculture land, a receptive local utility and local agriculture government offices, and a consumer group of farmers that need water and would be willing to pay for it. In collaboration with water utility in Meknes (RADEM) and other regional partners, USAID completed a study in Meknes-Tafilalt whose main objective is to develop an institutional structural set up in order to use tertiary treated water in agriculture. On the other hand, the water and electricity utility in Oujda, Oriental (*Régie Autonome Intercommunale de Distribution d'Eau et de l'Electricité de la Ville Oujda* (RADEEO)) has already completed a feasibility plan for a wastewater treatment facility that could potentially include tertiary treatment suitable for agricultural application. USAID would like to provide support to RADEM and RADEEO and the regional agricultural offices to put in place the proper institutional and financial structures to make agricultural wastewater reuse operational in Meknes and Oujda.

Activities may include identifying and defining roles and responsibilities of the public and private institutions that need to be involved in the planning and operation of the wastewater reuse program; meeting the legal, technical and operational requirements and standards of the GOM for agricultural wastewater reuse; addressing local public acceptance issues surrounding reuse of treated wastewater on agricultural products; and identifying resources and financing relationships to support the investment (including cost recovery through user fees). In developing recommendations the Contractor may draw on relevant aspects of the Meknes Water Reuse study underway by the Blue Revolution Initiative (BRI) Task Order as well as other successful experiences in Morocco or other countries.

Desired Results:

- Implementation of a technically, financially, and economically sustainable wastewater reuse program for agriculture in Meknes and Oujda provinces.

Illustrative Deliverables:

- Feasibility study for agricultural reuse of wastewater from the Oujda treatment facility submitted to ORMVA and RADEEO, incorporating stakeholder input.
- An action plan for RADEEO to install tertiary level treatment in its facility suitable for agricultural reuse, including identifying sources of financing and institutional roles and responsibilities.

Indicator #2

Number of public consultations in agriculture and water policy development.

Task 2.2.2: Support Implementation of the *Plan Maroc Vert* Agriculture Regional Plans

Background:

The *Plan Maroc Vert* requires each region to prepare a Regional Agricultural Plan that lays out a comprehensive program to achieve growth and efficiencies in the agricultural and water sectors at the regional scale in conformance with national policy. The two target geographic regions of

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the MEC program (Oriental and Doukkala) have already prepared Regional Agricultural Plans that have been approved by the Regional Councils and the Wali. The priorities and strategic mix of activities proposed in each are based on analysis of regional investment opportunities as well as the expected economic and employment returns of alternative value chains. Although the planning documents are in place, much work remains to be done to ensure that a broad range of regional institutions are effectively engaged to help carry out priorities for agricultural growth and optimization of water use.

The Contractor will assist in strengthening regional governance and institutions involved in implementation of the Regional Agricultural Plans, with a particular emphasis on strengthened engagement of actors from the private sector and civil society. Support will be provided to the ORMVAs and regional agricultural offices to identify and engage key stakeholders in the public and private sectors, clarifying the roles and responsibilities of each actor, facilitating improved effectiveness and efficiency in stakeholder interactions and communication, and ensuring that all voices and perspectives are heard and respected. The Contractor will work with regional leaders in the private sector and civil society who can advocate for improved water use and engage constructively in regional agricultural planning, governance, and implementation. Interventions may be focused on targeted institutions with potential to play a more important and effective role, e.g. , Chambers of Agriculture undergoing the process of reform to become a more professionalized representative of private sector views, and inter-sectoral associations such as COMADER who can advocate on behalf of small farmers and facilitate multi-party value chain agreements (*Contrats Programmes*).

In developing their proposals, Offerors are asked to identify specific and concrete opportunities for synergies with the USAID Democracy/Governance Program in all the above areas, including recommendations for complementary and coordinated support that could potentially be provided by the local governance component of that program.

Desired Results:

- Effective and sustained civil society and private sector involvement in Regional Agricultural Plan implementation in Doukkala and Oriental regions.
- Strengthened and reformed Chambers of Agriculture and regional level intersectoral associations actively participating in implementation of the Regional Agricultural Plans.

Illustrative Deliverables:

- Detailed action plans for Regional Agricultural Plan implementation in both target regions, developed in consultation with government, the private sector, and civil society, and incorporating all stakeholders' roles and responsibilities.
- Value chain action plans at the regional level (*Contrats Programmes*) that incorporate water use optimization for selected commodities.
- Report on governance lessons learned and best practices to serve as a model for implementing Regional Agricultural Plans in other regions.
- Recommendations for alignment and complementary action with the USAID Democracy/Governance program.

Indicator #2

Number of public consultations in agriculture and water policy development.

Indicator #3

Number of institutions strengthened for improved planning and implementation of water resources and trade for agriculture.

Task 2.2.3: Develop Information Management Tools for River Basin Agencies and ORMVAs

Background:

Faced with a backdrop of water scarcity, planners urgently need tools to support optimization of water use in agriculture in the context of overall sustainable water resources planning and management. Among other things, this requires access to accurate, up-to-date, and complete information about water resources and agriculture at the basin, aquifer and field level. Among the types of information needed include availability of surface and groundwater resources and sustainable extraction rates at the basin/aquifer scale, an accurate estimation of farm gate water delivery and a better knowledge of crop water requirements at the farm level.

River Basin Agencies (RBAs) throughout Morocco are the principal repositories of comprehensive data about the state of water resources. This information is accessed by a series of government agencies and other stakeholders to inform decision-making about water allocation and management. In some cases RBAs have installed modern hydrological and agricultural data collection and information systems to enable diagnosis and response to water resource management data in real time, and assist farmers to improve their water use practices (e.g., the USAID- funded information management system in Souss-Massa). Information management approaches have included telemetry (at reservoirs, river gauging stations, irrigation perimeters, and drinking water treatment plants) to record and transmit data in real time on parameters such as rainfall and surface flows, solar radiation, evapotranspiration, temperature and humidity; data collection on water storage in major reservoirs, and data on water withdrawals.

The River Basin Agencies in the Oriental and Doukkala regions recognize the practicality and value of having hydrological and agricultural information systems to help implement their Regional Agricultural Plans under *Plan Maroc Vert*, and have requested assistance from USAID to set up such systems in their regions. The successful Contractor under MEC will work with the RBAs and their partners in the two target regions to design, procure, install, and train regional water managers on the operation of a water information and management tool for the collection and analysis of real time hydrological and agricultural information for more efficient water management.

Expected Results:

- Sustainable water resources planning and participatory decision-making supported by the collection, management and dissemination of real time hydrological and agricultural data in two target regions.
- Application of real time hydrological and agricultural data to optimize agricultural water use at the farm scale.

Illustrative Deliverables:

- Participatory data needs assessment for effective agricultural water use management.
- Installation and operation of a system for agricultural water resources data collection, management, harmonization, and dissemination in the River Basin Agencies of the two target regions.
- RBA technicians trained on the use and maintenance of the system.

Indicator # 7

Number of information management tools and best practices for improved water management and planning.

Task 2.2.4: Support Implementation of a Management Contract (*Gestion Déléguée*) for one Irrigated Perimeter (Doukkala Region only)

Background:

One of the key components of the *Plan Maroc Vert* is the delegation of management functions for the country's large irrigated perimeters to private sector management contracts (i.e., "*Gestion Déléguée*"). This new approach is designed to increase the efficiency and sustainability of irrigation management, increase cost recovery, and improve the quality of service. The policy directing ORMVAs to make the transition to delegated management is already in place, and a few perimeters have already started the solicitation process to select the private sector firms to take over management in the coming year (e.g., Tadla and Doukkala). While there are hopeful expectations that the approach will function well, many questions remain about how the shift to this new institutional and management structure will play out in practice. During the life of the new MEC program, the Doukkala region is expected to convert to a delegated management system. There are opportunities for USAID to work with the Ministry of Agriculture/ORMVAD to help implement delegated management in the most effective fashion. The successful Contractor will work in close consultation with ORMVAD as the private management firm comes on board, providing assistance as needed in areas including clarifying the new institutional structure of ORMVAD under delegated management and capacity building of ORMVAD staff in their new supportive role. Lessons learned from this assistance process will be fully documented and shared for potential replication by the GOM in other regions making the transition to delegated management.

Expected Results:

- Transition to delegated management of the Doukkala irrigation perimeter (ORMVAD) implemented smoothly and efficiently.

Illustrative Deliverables:

- Needs analysis and action plan to support to ORMVAD in the transition to delegated management.

- Documentation of experiences and lessons learned in supporting the transition to delegated management for replication by the GOM in other regions.

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Indicator #3

Number of institutions strengthened for improved planning and implementation of water resources for agriculture.

Task 2.2.5: Improve Agricultural Groundwater Management at the Regional Level

Background:

Morocco's large irrigation perimeters are primarily supplied by gravity-fed surface water dams, storage reservoirs, and distribution canals. However, a significant and growing amount of Moroccan agricultural production relies on groundwater sources that are also under growing stress. Groundwater is utilized both as an occasional supplemental source extracted and managed directly by the ORMVAs within the irrigated perimeters, or through individual exploitations as part of small and medium independent irrigation infrastructure (*Petit et Moyenne Hydraulique* – PMH) financed and managed directly by users. The MEC target geographic regions are among those areas that rely in part on these sources with unknown long-term impacts on the sustainability of the resource. In Doukkala, groundwater is used both to supplement irrigation within the irrigated perimeter (for sugar beet, corn, vegetables, etc.), and as the sole source of water for intensive horticultural producers in the coastal strip zone. In areas outside of the irrigated perimeter in the Oriental region, cattle and sheep production rely primarily on groundwater sources. Planned expansion of olive tree cultivation in these areas through the MCC may also require development of additional water sources to irrigate trees during the establishment phase, largely drawing on groundwater. In all cases, these groundwater sources are largely uncontrolled, and the informational, legal/regulatory, and institutional framework surrounding their management is weak or nonexistent. Farmers drawing on this water are not necessarily employing water-efficient technologies and approaches.

GOM officials at the national level as well as in both target regions acknowledge that groundwater management is particularly weak, and would welcome USAID assistance in this area as an important foundation to supporting water use optimization in agriculture. The successful Contractor will work with local officials to strengthen groundwater management for agriculture at the regional scale, including developing a multisectoral groundwater management policy (*Contrat Nappe*) similar to that developed in Souss-Massa. The need for additional groundwater data and analyses in each region should also be assessed, and efforts proposed to strengthen RBA information management to support sustainable management approaches at the aquifer scale. Detailed actions will also be identified for optimizing groundwater use in agriculture through adoption of improved practices and management approaches.

Expected Results:

- Information, institutions, policies, and rules in place to ensure more sustainable groundwater management for agriculture use in the Oriental and Doukkala regions.

Illustrative Deliverables:

- Baseline analysis of current groundwater management laws and regulations in Morocco in general, and development of recommendations to strengthen and reform the legal framework.
- Assessment of data and information management gaps to support sustainable groundwater management in the two target regions.
- A multi-sectoral groundwater management program (*Contrat Nappe*) in place in both target regions outlining the legal, organizational, institutional, and technical guidelines for groundwater management at the regional level.
- Evaluation and documentation of experiences in the target regions supporting improved groundwater management for replication by the GOM in other regions.

Indicator # 7

Number of information management tools and best practices for improved water management and planning.

Component 3: Increased Private Sector Participation in Agriculture and Water Management Reforms

Task 2.3.1: Strengthen Smallholder Organization, Management, and Governance to Promote Water Use Optimization

Background:

As described above, the *Plan Maroc Vert* actively endorses widespread adoption of technologies and practices to optimize water use in agriculture. Widespread adoption is still not occurring, however, especially among smallholders. Among the major problems identified by the Ministry of Agriculture and others is the chronically poor level of organization of smallholder farmers around issues of water resources management, including collective investment and management of drip irrigation systems. This technology requires installation of pressurized water delivery and storage that often depends on collective financing and management of some kind. Weak farmer organization therefore presents a fundamental constraint to large-scale adoption of these more efficient technologies.

USAID will support the creation and capacity building of farmer water user associations in both ORMVA and PMH zones to improve farm level water management, including adoption of efficient irrigation technologies and other good water use practices. Support will be provided to smallholder associations specifically around financing, designing, and managing efficient irrigation systems, but also more broadly around governance and management of agricultural water resources. The Contractor will also provide training and institutional support to both farmer organizations and individual farmers to build capacity in proper utilization and management of irrigation equipment as well as other agricultural practices.

Expected Results:

- Farmers associations in the Oriental and Doukkala regions functioning effectively to optimize farm-level agricultural water use.

Illustrative Deliverables:

- Creation and/or strengthening of farmers' water user associations in the Oriental and Doukkala regions to finance, install, and manage drip irrigation technology and other water-efficient agricultural management practices.
- Trainings for smallholders on how to properly utilize and manage water-efficient irrigation equipment and other agricultural practices.

Indicator #6

Number of actions for increased private sector engagement in water resource management and policy implementation for agriculture.

Task 2.3.2: Promote Optimization of Water Use in Agro-Processing

Background:

Most attention to water use optimization in the *Plan Maroc Vert* relates to improving irrigation water use for growing specific crops. For each value chain, however, water use occurs at many different steps along the way from cultivation to cleaning, to processing, to final sale, with significant implications for both water quality and quantity outcomes at every step. The successful Contractor will examine the key value chains in the target geographic regions of MEC to identify opportunities for optimizing water use to reduce adverse impacts on water resources. This may involve working with private sector partners to promote and adopt Environmental Management Systems (EMS)/clean production approaches to reduce water and energy use in processing activities, and reduce pollution impacts. Those value chains with the most potential for water savings or mitigation of water pollution impacts should be emphasized. As experience is gained, sector-specific water optimization guidance and best practices in processing may be produced for particular value chains to disseminate more broadly throughout the country. When possible, the Contractor should consider promoting efforts through the existing or new GDAs/public-private alliances formed under Task C.5.

Expected Results:

- Agro-processing water use efficiency measures and clean production measures adopted by the private sector in selected value chains in the target geographic areas.

Illustrative Deliverables:

- Water audits and investment planning for agribusinesses/ agro-processors to implement recommendations to increase water savings and prevent impacts on downstream water quality.
- Demonstration project in agro-processing water optimization to serve as a model for water efficiency and pollution prevention in agro-processing.

- Training of agro-processing personnel to carry out and maintain clean production opportunities, and implement best management practices to reduce water use and water pollution.

Indicator #6

Number of actions for increased private sector engagement in water resource management and policy implementation for agriculture.

Task 2.3.3: Optimize Smallholder Water Use through Development of High Value “Local Product” Value Chains (*Produits du Terroir*)

Background:

One key aspect of water use optimization is selecting crops/value chains that derive the maximum economic value from every unit of water consumed. For smallholders in particular, one promising area of agricultural income generation and value-added production are so-called “Local Products” (*Produits du Terroir*). These are legally recognized products that derive their added value either from a unique geographic characteristic, or because of a specialized growing/processing technique that sets the product apart from others. Depending on the region, there are opportunities to greatly expand production of one or more of these value chains as part of the effort to maximize the economic output of scarce irrigation water. Successful promotion of selected local product value chains such as saffron, argan oil, ovine red meat (Bni Guil in Oriental) should be based on both domestic and export market opportunities and focus on competitiveness factors including cost, quality, on-time delivery, and internationally-established standards/requirements. To optimize the impact on water resources sustainability, the successful Contractor will ensure the program identifies and promotes Local Products that have a high potential for increasing water-use efficiency, and propose actions to ensure that water use is optimized throughout the production cycle.

Expected Results:

- Increased production of high value and water efficient Local Products (*produits du terroir*) by smallholders in the target geographic regions.

Illustrative Deliverables:

- Four demonstration projects promoting development of a high value Local Product value chain, including application of best water management practices throughout the production cycle.

Indicator #4

Number of actions for improved productivity and competitiveness of selected agricultural value-chains.

Indicator #8

Youth employment (investment and trade) generated in selected agricultural value chains/*produits du terroirs*.

Task 2.3.4: Increase Smallholder Engagement with Agricultural Consolidators/Incubators (*Aggregateurs*) to Improve Water Use in Selected Value Chains

Background:

Under the *Plan Maroc Vert*, production and marketing contracts will be promoted linking producer associations of various kinds with distributors, processors or other participants in the value chain. Specialized consolidator entities (or so-called “*aggregateurs*”) would be created or strengthened to enforce quality and delivery standards which meet market demand, and promote increased sales and revenue from target products. These professional consolidators are not yet common in Morocco, but are seen as an effective way to expand markets for a variety of value chains.

There are opportunities for such agricultural consolidators to assist with promoting standards of water use optimization in production and processing, as an additional factor of excellence and cost-effectiveness in production. The Offeror should propose to work in a value chain that has an existing *aggregateur* structure (or the potential to develop one), as well as a significant potential for water use efficiency, and the potential for market expansion (including increased job creation and income generation),

Expected Results:

- Producers organized through agricultural consolidators (“*aggregateurs*”) to promote efficient water use for enhanced productivity in selected value chains.

Illustrative Deliverables:

- Study analyzing opportunities to use *aggregateurs* as a vehicle to disseminate and promote water use optimization in agriculture, including selection of target value chains based on factors including opportunities for water efficiency in cultivation or processing; potential for job creation and increased incomes; active private sector involvement; and market growth potential.
- Organization and training of agricultural consolidators in targeted value chains to promote optimization of water use.

Indicator #6

Number of actions for increased private sector engagement in water resource management and policy implementation for agriculture.

Task 2.3.5: Develop Public-Private Partnerships/Global Development Alliances (GDAs) to Promote Optimization of Agricultural Water Use

Background:

A pillar of USAID’s overall development approach is building partnerships with non-traditional private sector partners -- especially in the for-profit sector -- to leverage resources and expertise to achieve program objectives. The MEC program has particular opportunities to engage private sector producers of key agricultural products around the issue of sustainable water use. An existing USAID/Morocco GDA is in place with the Coca-Cola Company (TCCC) in Doukkala region as part of the global TCCC/USAID Water and Development Alliance (WADA), focusing on smallholder water use efficiency and adoption of drip irrigation technologies, especially for sugar beet cultivation. Beyond this existing relationship, there are opportunities to work with

other value chain private producer groups or major companies to jointly invest in measures to improve water use in agricultural production.

Offerors should propose a specific approach to developing one or more new alliances with the private sector to meet project objectives, including setting aside funding to match private sector resources in carrying out joint partnership activities. In addition, the successful Contractor should coordinate closely with and build on the efforts of the existing Coca-Cola alliance as part of its alliance-building efforts. If Coca-Cola and USAID decide to proceed with a second phase of the alliance in 2011, the Contractor may also be expected to assume a direct management or implementation role in implementation of activities. Other alternatives would be a GDA in the agriculture machinery sector with such US based companies as John Deere and Ford using the subsidy opportunity provided by the GOM as an incentive for all parties.

Expected Results:

- At least one new public-private partnership initiated to promote improved agricultural water use in a selected value chain.

Illustrative Deliverables:

- Feasibility studies in each region to assess public-private partnership opportunities and propose specific actions to initiate a high potential alliance for agricultural water use optimization.
- Outreach program with public sector institutions and agribusiness and agro-processing private sector enterprises to explain the objectives and value of public-private partnerships, including potential results and benefits, and solicit interest in partnering with USAID in effective agricultural water use.

Indicator #9

Number of public-private partnerships (GDAs) developed and implemented for improved water resource management and policy implementation for agriculture and trade.

Intermediate Result 3: Workforce Development Strengthened

Introduction

As noted earlier, the World Bank's Doing Business report ranks Morocco 168th out of 181 countries in terms of the ease of employing workers, despite having reformed its labor code in 2004. Key factors influencing this ranking are the high ratio of the mandated minimum wage to average value added per worker, the fact that fixed-term labor contracts (including renewals) are limited to 12 months, the high severance payments required to fire employees, and the need to obtain third party approval and provide retraining or reassignment before terminating 25 or more redundant employees. Morocco's employment rigidity index is about twice that of the average MENA lower middle income and worldwide lower middle income countries.

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In addition to the inefficiencies caused by the labor market regulations, there are numerous reports of difficulty finding skilled labor, particularly mid-level management. Morocco's general education rankings are very low compared to other lower middle income countries. Despite considerable improvement over the past 30 years, Morocco's net enrollment rate and rate of retention (number of students still in school in the fifth grade) are considerably below the average for MENA lower middle income countries. The secondary school net enrollment rate in Morocco is only 35.1%, about half that of benchmark countries, and the rate of university enrollment is about a third of the levels for Tunisia and Turkey. According to the CIA Factbook, the literacy rate for Morocco is only 52% (66% for males and 40% for females). Only 60% of young females in Morocco are literate, compared with 90% for other MENA lower middle income countries. Clearly Morocco's poor performance in education limit's its prospects for transformational growth. Finally, employers consistently complain about inadequate "life skills" among employees, particularly those without prior work experience. Life skills refer to showing up on time, personal cleanliness, respectful attitude, ability to work in groups, etc.

Labor market participation is also skewed by gender. The male urban labor market participation rate is 86%, while it is 29% for women. In rural areas the labor participation rate for females is triple that for men. In part the low level of urban labor market participation by women is due to their limited access to education.

Morocco is making a significant investment in workforce training, and the GOM Office of Professional Training and Employment Promotion (OFPPT) is recognized as an effective institution. It has 33 years of experience in support of workforce development in Morocco. OFPPT's two Missions are: "1) Meet the qualification needs of businesses and contribute to the improvement of their competitiveness; and 2) Favor the promotion of young people's insertion in the labor market." It has 272 training schools and 3,900 trainers. Its mandate is to assess labor market needs, provide responsive training, and help place trainees. The Board of Directors is comprised of representatives of government, employers and workers. Revenues are derived from a dedicated training payroll tax, government funding, and other sources. The number of individuals trained has grown from 55,000 to 142,000, or 270% in the five years 2003-07. OFPPT includes life skills as a regular part of its training initiatives. OFPPT is aware of the need to increase female participation in the labor force, and 45% of its trainees are women.

Further improvements can be made through closer linkages with the private sector in defining training priorities, and establishing effective co-funding mechanisms for training.

GOM policymakers, businesses, and donors are making job creation in highly productive sectors a priority, and the legal and regulatory regime governing the labor market needs to be further improved. In particular, regulations that discourage businesses from hiring youth and other new entries to the labor market should be given priority. Finally, further strengthening of the effectiveness and targeting of workforce training will be beneficial, particularly in addressing the skills shortages of youth and women.

USAID support for workforce development will be consistent with the GOM strategic framework outlined in the *Pacte National Pour l'Emergence Industrielle 2009-2015*.

Component 1: Key Policies in Workforce Development Improved

Task 3.1.1: Labor Law and Coordination of Workforce Training and Job Placement with the Private Sector

Discussions with employers, business associations, and public officials have identified three policy obstacles to improved employment of young labor force entrants. These are: (1) government-funded vocational training is sometimes not carefully targeted to the needs of employers, (2) a shortage of middle managers with appropriate skills for overseeing relatively large numbers of unskilled workers, and (3) provisions of the labor code which make hiring of new workers costly and burdensome.

The lack of appropriate training, especially in life skills, appears to be one major source of the difficulty that young workforce entrants face in finding employment. In addition to the training of the young workforce entrants themselves, there appears to be a shortage of appropriately trained middle managers with the skills needed to oversee relatively large groups of workers. This lack of trained middle managers may be a contributing factor to the high unemployment rate among young workers. The second issue, training of middle managers, needs to be explored in more depth before firm recommendations can be made.

The Ministry of Employment is the principal partner for the workforce development portion of the MEC program. The Ministry's Directorate of Employment is charged with employment policy oversight and implementation. Points of focus for the Directorate include private sector tax incentives/exonerations for firms employing new entrants in the better educated category (high school and university educated), and for retaining those who prove capable; contracting for on the job training without regard to level of education; assistance to those pursuing self-employment; and building Moroccan competitive capacity in outsourcing. The Directorate of Employment is undertaking or considering an agenda of analytic and data base development to better inform policy and program development and it is interested in USAID and other donor assistance with this agenda. The UNDP is presently helping with one study in support of this effort. As noted above, the CGEM is also a powerful potential ally and voice with respect to labor market issues and workforce development.

The Moroccan labor code, Law 65-99, which entered into force June 8, 2004, introduced and codified a number of important labor protections. However, it appears that its provisions have made it more difficult for new labor force entrants to obtain entry level jobs. A number of aspects of the labor code have made it more difficult for young, relatively unskilled, workers to gain access to employment. Several of these factors are reflected in Morocco's relatively poor ranking in the *Doing Business* indicators. Quite apart from *Doing Business*, it is axiomatic that workers without previous job experience are less productive and "riskier" to their employer than workers with previous job experience, especially job experience in their particular firm. Several aspects of the Moroccan labor code raise the costs of employing new workers and reduce the employer's flexibility to deal with a new worker who does not "work out".

However, the team found little support, either in the public or the private sector, for modification of the labor code to permit an exception for young labor-force entrants. This issue, which relates to the demand for young workers rather than the supply, is a question which should be

further explored. In addition, further study is needed to understand the causes and potential remedies for the very low urban labor market participation by women.

Proposed activities:

Assist the Ministry of Employment's Directorate of Employment to implement its agenda of analytic and data base development, especially concerning incentives to encourage the employment of new labor force entrants. Studies would examine the optimum form and duration of such incentives to achieve maximum sustained impact. Studies would also examine the low urban labor market participation by women and propose remedies. Another area of inquiry would assess, more broadly, effectiveness of existing operations and programs in terms of efficiency, targeting and results, and private sector involvement, identifying areas for institutional strengthening.

Anticipated program results:

- Studies completed and used by the Ministry of Employment to improve public policy favoring increased labor market participation by youth and women.
- Incentives for employment of new labor force entrants completed.

Illustrative Indicators

- Studies completed with recommendations adopted by Ministry of Employment.
- Incentives for employment of new labor force entrants adopted.

Component 2: Improved Capacity for Key GOM Institutions to Implement Workforce Development

Task 3.2.1: Assistance to OFPPT and other training institutions: OFPPT is the predominant public sector workforce training institution in Morocco, although other entities provide specialized services. OFPPT both conducts training courses itself and funds, through reimbursement, a large part of the cost of approved, employer-provided training. It has recently tightened oversight of the reimbursement mechanism, to eliminate abuse, and some employers now complain of long delays and uncertainty about the reimbursement process. In addition, some employers have reported that there is a lack of private sector input into the design of OFPPT vocational training courses. Other employers express satisfaction about OFPPT cooperation and coordination with the private sector. The team's discussions with OFPPT indicated a willingness on its part to improve coordination with private employers and to develop a mechanism to more fully incorporate their input into OFPPT courses. OFPPT and CGEM, and potentially other public and private sector training institutions will be key stakeholders in this effort. OFPPT carries out periodic surveys of both labor supply and demand.

OFPPT places strong emphasis on training that assists the incorporation of youth into the labor market, and also has demonstrated strong commitment to gender equality, with women representing 45% of its trainees. OFPPT also incorporates life skills training as an integral part of all of its training courses.

Proposed activities:

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Assistance is envisioned in five areas although further, more in-depth analysis is needed in order to design these specific initiatives. These studies will be carried out during the first six months of the MEC program and will focus on the quality of training offered by OFPPT and other training institutions, and the quality of OFPPT and Ministry of Employment labor supply and demand surveys.

1. An assessment of present OFPPT and other training institution activities to determine how the quality and responsiveness of training can be improved, including needs identification, curriculum, instruction, trainee job placement assistance, and private enterprise involvement in these interests. To strengthen the interface with private enterprise, OFPPT could be encouraged to form a public/private advisory committee to improve effectiveness and targeting of training, and other areas identified by the assessment. The assessment would be carried out by OFPPT, and potentially by other training institutions, with technical assistance and support by a MEC contract senior workforce training expert, who would also provide assistance with the implementation of follow-on activities.
2. Assistance for training/upgrading of trainers, particularly concerning life skills and gender specific issues.
3. Identification of needs and provision of technical assistance to strengthen OFPPT financial management. To support OFPPT operations, there is a dedicated payroll tax levy of 1.6%. Also, OFPPT reimburses private companies for 70% of the cost of training they provide. There is a view that these reimbursements, which reportedly take some seven months, could be expedited.
4. Support for OFPPT and other training center expansion of youth and female participation in skills training, particularly life skills, and as a focus for job placement.
5. Creation of an annual employer satisfaction survey to be carried out by OFPPT in order to judge the degree of employer satisfaction with OFPPT services, and to identify areas of potential improvement.

Anticipated Program Results: OFPPT

- Improved quality and responsiveness of OFPPT and other institution training to labor market demand by increased private sector involvement and influence in needs identification, course content, and quality instruction; end year 2.
- Trainers receiving ongoing training and upgrading as needed.
- OFPPT financial management capacity meets required standards and demands, including reimbursements for private enterprise-provided skills training.
- Youth participation in training (particularly life skills) and as the object of job placement increases significantly, and gender equality in training participation is maintained.
- OFPPT institutionalizes annual employer satisfaction surveys.

Illustrative Indicators

- Surveys by OFPPT of private sector clientele demonstrate improved satisfaction with OFPPT services, effective consultation and engagement with the private sector, and improved satisfaction with the pace of reimbursement for training; years 2 through 5.
- Trainee satisfaction with instruction; interviews with trainers; years 1, 3, 5.
- Youth focus and participation increases, demonstrated by data maintained on a gender disaggregated basis. Baseline and targets to be mutually agreed with OFPPT year 1, progress measured years 3, 5 with scheduled MEC evaluations.

Component 3: Increased Private Sector Participation in Workforce Development

Task 3.3.1: Enhance Private Partnership Participation in Workforce Development

One of the main objectives of the US government's Morocco Country Assistance Strategy (CAS) is to address problems of chronic and growing unemployment among Morocco's youth (defined from 15-35 years old). As noted earlier, the General Confederation of Moroccan Enterprises (CGEM) is a member of OFPPT's Board of Directors and has recently entered into an agreement to serve as the intermediary for seeking OFPPT approval of specific private sector funded training activities and facilitating reimbursement. The Executive Director of the Tangier Free Trade Zone noted that there is very effective private enterprise participation in the assessment of skills needs. The assessments described under Task 3.2.1 will help further identify opportunities for public/private partnership in training activities, and these could then receive support under this Task Order.

The agricultural sector already directly or indirectly provides employment for half of Morocco's population. The *Plan Maroc Vert* explicitly includes attention to agriculture that supports poorer, smallholder farmers through Pillar 2 "*Agriculture Solidaire*," including providing opportunities for increased employment through agricultural growth. One of the key areas where employment would be generated is the development and trade of *produits du terroir* (local products) such as saffron, argan oil and other high value products for export. USAID will provide assistance to develop youth employment opportunities as a complementary activity in targeted value chains (*produits du terroir*) already selected as part of other MEC program components. The approach will be completely market driven, and will start with an identification of labor needs of USAID's private sector partners in all steps of the production cycle, and design a practical capacity building and workforce development program focused on these areas. The Contractor will develop specific technical training curricula to be implemented by the private sector partner in each targeted value chain or aspect of the production or marketing cycle. In addition, the successful Contractor will strive to coordinate with USAID/Morocco's Education Program to complement the MEC program's technical capacity building with that program's broader life skills training to prepare youth for the work force.

Anticipated Program Results:

- Assessment of opportunities for increased public/private participation in workforce development, and pilot activities in response to the conclusions and recommendations of the assessment.
- Workforce development program designed and implemented in collaboration with private sector partners in at least two value chains where USAID is working to optimize water use and agricultural growth.
- Memorandum of Understanding with USAID/EG implementing contractor outlining commitments to pursue complementary and coordinated activities in workforce development and training.

Illustrative indicators:

- Youth employment generated in selected sectors.

C.5.4 Participant Training

One mechanism that has proven effective in encouraging policy dialogue is to sponsor observation and study tours to the United States or third countries, and resources under this Task Order may be used for this purpose. The activities should be short-term in nature, tied to a specific ongoing process (not an isolated trip), and not pursue academic degrees. USAID regulations establish special procedures for managing this type of activity and the Contractor will be responsible for assuring that these requirements are met, including participant training reporting in keeping with USAID guidelines.

C.5.5 Grants and subcontracts

As noted earlier, the Contractor is encouraged to involve Moroccan organizations as vehicles of policy analysis and dialogue. The implementing contractor can propose the use of grants or subcontracts to involve organizations that have demonstrated capacity to carry out quality analysis and sponsor effective events for public discussion of competitiveness constraints. USAID/Morocco will be significantly involved in establishing selection criteria and must approve the actual selection of grant recipients and sub-contracts with Moroccan organizations, including any decisions to award grants or sub-contracts based on exclusive or predominant capability. One of the key selection criteria must be the degree of cost sharing or leveraging with the benefitting entity. Grants should not cover the entire cost of an activity or project. It will be the responsibility of the firm awarded the contract under this RFP to make the best use of USAID grant contributions by seeking creative ways to leverage USAID funds in any activity being implemented.

The USAID requirements that apply to USAID-executed grants will also apply to grants executed by the Contractor, including provisions for exemptions from competition for grants. USAID requirements for full and open competition will apply to sub-contract awards, unless a justification is provided to the Mission in keeping with USAID requirements for other than full and open competition for contracts. USAID will retain, in the Task Order agreement, the ability to terminate the grant activities unilaterally in extraordinary circumstances, and the Contractor should make provision for termination of sub-contracts in keeping with the terms of its contract with USAID.

C.5.6 Environmental Impact and Reviews

Pending preparation of the IEE

C.5.7 Gender Considerations

Issues that particularly affect women need to be addressed as part of the Morocco Economic Competitiveness Program. Employment data indicate that the unemployment rate for women in urban areas is significantly higher than for men, while in rural areas the unemployment rate for men is approximately triple that for women. However, women's participation in the labor market is very low. The 2008 Morocco Economic Performance Assessment reported the following: "While 86.1 percent of Moroccan males participate in the workforce, only 29.1 percent of females do so. Morocco's female labor force participation rate is dramatically lower than the Lower Medium Income country median of 53 percent but similar to the LMI-MENA median of 28.6 percent and the rates of comparator countries (Tunisia, 31.5 percent; Turkey, 30.3 percent)."

As it prepares the annual work plans, the Contractor will be required to include a specific section that describes what activities will be carried out that specifically address gender issues. In doing so, the contractor should consider the following three questions:

1. Are women and men involved or affected differently by the context or work to be undertaken?
2. If so, is this difference an important factor in managing for sustainable program results?
3. Are there issues that particularly affect women that are not being addressed?

C.6 Implementation and Management of the Activity

C.6.1 Staffing

The Contractor will be expected to maximize the use of Moroccan or US staff with in-depth knowledge of Morocco, given the need for the team to have a profound knowledge of the Moroccan political environment and technical resources. The Technical Proposal will specify the organizational structure and staff requirements that will be needed to complete the tasks described in the Statement of Work. The Offeror will also describe its approach to providing specialized, short-term technical assistance in response to priorities identified in the annual work plans. Specifically, Offeror will describe its approach to maximizing the use of local and regional expertise for this purpose, as well as its approach to obtain access to technical resources with international state of the art knowledge.

The contractor will establish its principal office in Rabat, so as to be able to closely coordinate activities with USAID and the Government of Morocco. The contractor will also be expected to set up a field office in both the Doukkala and Oriental regions. The Chief of Party must be bilingual in English and French at the FSI 4 level. Knowledge of Arabic would be an advantage. Given the distinct technical requirements of the three components described above, the bidding organizations should consider proposing Program Managers for each component. Component Managers, if proposed, must be qualified French speakers at least at an FSI 3 level, and would preferably be Moroccan citizens. The Chief of Party and the Component Managers will be considered key personnel for this activity, and USAID/Morocco must approve any removal and replacement during the life of the Task Order. Firm letters of commitment must be submitted for all key personnel.

KEY PERSONNEL QUALIFICATIONS:

1) Chief of Party (5 years, expatriate)

- Ph.D or equivalent degree in a field related to water management/agriculture enabling environment or business enabling environment.
- At least 10 years overseas experience in managerial or supervisory positions responsible for programs related to water management or business environment, previous experience as a Chief of Party is highly desirable.
- Experience in developing strategies for inter-firm cooperation and business development, including knowledge and experience in applying in agricultural, water, business enabling environment and trade policy.
- Experience with Moroccan water sector and strong connections with Moroccan private and public sector institutions.

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- Proven leadership and strategic planning skills for international development assistance programs.
- Demonstrated professional writing and presentation skills.
- Fluent English and French (reading and speaking at the FSI 3/3 level).

2) Water/Agriculture Enabling Environment Component Manager (5 years)

- MBA or equivalent degree or experience in a field related to water management/agriculture Enabling Environment, marketing and trade.
- A minimum of 10 years relevant water management/agriculture market development and/or trade experience in the private sector.
- Prior experience working with the private sector on various elements of water/agriculture commodity value chains, with particular expertise on water valuation.
- Prior experience managing contracts and/or supervising teams working on water/agriculture development activities.
- Expertise in marketing, trade issues, and import requirements (e.g. grades and standards, phytosanitary requirements).
- Expertise in development of local products (“Produits du Terroir”), marketing and trade.
- Fluent in French and English reading and writing skills (FSI 3/3 level).

3) Enabling Environment Component Manager (5 years)

- MS or Agricultural Economics degree or experience in a field related to business enabling environment.
- At least 10 years of relevant experience working in the private sector in business enabling environment.
- Prior experience in business enabling environment, access to technologies and foreign direct investment.
- Extensive experience working in developing countries, experience in MENA region or Morocco is a plus.
- Cognizant of international business environment and international doing business.
- Fluent in French and English reading and writing skills (FSI 3/3).

4) Workforce Development Component Manager (5 years)

- MS or Agricultural Economics degree or experience in a field related to workforce development in Morocco.
- At least 5 years of relevant experience working in the private sector in workforce development.
- Prior experience in business enabling environment, access to technologies and foreign direct investment.
- Extensive experience working in developing countries; experience in North Africa or Morocco is a plus.
- Cognizant of international business environment, and international agribusiness markets.
- Fluent in French and English reading and writing skills (FSI 3/3).

5) Monitoring and Evaluation Specialist

- MS in monitoring and evaluation with expertise in environmental economics, GIS, and sustainable development policy.

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- At least 5 years of relevant experience working in projects' impact and performance management.
- Prior experience in conducting assessment of activities' indicators and overview of environmental and economic data to track trends at the national and regional levels.
- Extensive experience in projects' impact and performance with deep knowledge on targets disaggregation.
- Cognizant of Morocco water/agriculture and business enabling environment sectors.
- Extensive experience working in developing countries; experience in North Africa or Morocco is a plus.
- Fluent in French and English reading and writing skills (FSI 3/3).

Short -Term Technical Assistance

Offerors shall propose the level of short-term technical assistance they deem appropriate. The Contractor will be required to propose in its work plans the actual level and type of short-term technical assistance deemed appropriate to the needs of the Project. The contractor may consider short-term consultancies provided by US, Moroccan or third-country experts.

C.6.2 Activity Management

The Technical Proposal will specify the organizational structure, personnel, and level of effort for carrying out Task Order management functions, including the Contractor's home office support. Home office time will be devoted to supporting the overall effort, and recruitment and management of short term experts. USAID will appoint a Contracting Officer Technical Representative (COTR) who will be responsible for day to day interaction with the Contractor's management team on all matters not restricted to the purview of the USAID Contracts Officer. It is anticipated that within the Mission there will be separate activity managers working under the COTR who will provide technical leadership in specific areas.

C.6.3. Field Offices/Representation

As noted above, the Contractor is expected to open field offices in Doukkala and Oriental regions. The responding firms shall propose staff for these offices adequate to meet program implementation requirements as specified in its technical proposal.

C.6.4 Relationship to USAID and Other Implementing Partners

Given the sensitive nature of this activity, the Contractor should consult frequently and openly with the COTR and through him or her with other USAID officials as needed. The agenda of reforms to be addressed will be subject to unanticipated adjustments as opportunities or impediments arise, and it will be extremely helpful for the Contractor to keep USAID actively informed of changes as they develop, so necessary approvals can be processed rapidly. However, it is clear that this type of informal communication cannot take the place of formal approvals where required, nor does it release the Contractor from its obligations under the Task Order unless modifications are formally approved.

The Contractor will be expected to maintain frequent and open communications with other USAID and USG implementing partners addressing issues related to the objectives of this Task, in order to assure that all activities are adequately coordinated. The Contractor should advise

the COTR immediately if problems with coordination are encountered. Of key concern is coordination with activities implemented under the USAID Assistance Objectives 1. Increased Participation of Citizens, Especially Youth, in Local Governance, and 2. More Relevant Education and Opportunities for Life Skills Training for Youth, as well as activities being implemented under the Millennium Challenge Corporation's compact with the Government of Morocco. In addition, other activities are financed in Morocco through the Middle East Partnership Initiative (MEPI), and some of these will closely complement MEC Program activities.

C.6.5 Government Estimate of Cost

USAID requests that firms submitting proposals in response to this RFP prepare a technical and a cost proposal for a four year program, and also submit technical and cost proposals for an optional fifth year. **USAID estimates that the cost of the Task Order resulting from this RFP will be approximately \$28,200,000, although this is subject to future budget allocations. The estimated funding for the fifth year would be approximately \$7,500,000. USAID estimates that of the total program cost approximately 37 % will be used for Program Component 1, Economic Enabling Environment Improved; approximately 54 % will be dedicated to Component 2, Water Used Sustainably for Agricultural Growth; and approximately 9 % will be used for Component 3, Workforce Development Strengthened.** Revealing the estimated cost and estimated division between the Program Components for the contract does not mean that offerors should strive to meet these maximum amounts, and innovative approaches are encouraged. Cost proposals shall be evaluated as part of a Best Value determination for contract award.

The anticipated grants program will be for approximately \$5 Millions, under the Water Component.

C.6.6 Task Order and Work Plan Periods

The anticipated length of the Task Order is from the date signed until September 30, 2013, with an optional period extending to September 30, 2014. The 2014 end date is one year after the end of the current USAID/Morocco strategic planning period, and no program activities or expenditures may be made after this date, unless USAID modifies its current policies.

The first Work Plan will cover the period from ninety days after award of the Task Order to September 30, 2010, and must be submitted to USAID not later than 90 days after Task Order signature. Each subsequent annual Work Plan will be due not later than 30 days prior to the period covered.

C.6.7 Accounting for Earmarked Funds

Of the resources to be obligated for the first year of this Task Order, \$2 million are earmarked for issues dealing with sustainable management of water. The remaining resources can be used to address any competitiveness issue. USAID/Morocco anticipates that a portion of the resources to be obligated to the Task Order for subsequent years will also be earmarked to address water management issues, but it is not possible at this time to anticipate the proportions attributable to this earmark. The Mission will formally advise the Task Order holder

of the earmark percentages for each additional year obligation as soon as the breakdown becomes clear.

The Task Order holder will need to take the earmark amounts into consideration when developing each year's Work Plan, as the program activities to be implemented will need to be selected so that the funding to be used will respect the earmarked source. The Task Order holder will also need to track expenditures (including an appropriate portion of general administrative expenses) by earmark category, so as to be able to demonstrate that the expenditures respect the Congressional restrictions on the funding.

C.6.8 Public information and community outreach

The MEC approach includes a substantial public information and community outreach activity. MEC will use the proven experience of the implementing partner to design and support a targeted public information and community outreach program for MEC. The program will promote interest in and support for MEC with potential target customers through the development and dissemination of information on how MEC can help them develop their businesses. Later, success stories will be developed and disseminated to USAID and through select outreach interventions. Association members and other groups participating in projects will be informed of their project's progress and expenditures, and their rights (including full transparency), and responsibilities regarding participation in the project.

C.6.9 Field Offices/Representation

As noted above, the Contractor is expected to open field offices in Doukkala and Oriental regions. The responding firms shall propose staff for these offices adequate to meet program implementation requirements as specified in its technical proposal.

C.7 IMPLEMENTATION AND MANAGEMENT PLAN

The Contractor shall provide contract management necessary to fulfill all the requirements of this contract. This includes cost and quality control under this contract.

C.8 PERFORMANCE MONITORING PLAN

The contractor's performance shall be evaluated based on the completion of specific tasks as outlined in the Task Order, adherence to the work plan, and reports submitted to the Cognizant Technical Officer (CTO).

USAID has successful experience in supporting Moroccan-led efforts to reform important policies, and the menu of needed reforms is very extensive. In section C. above, specific results and illustrative indicators to be achieved during the program have been identified for each program component and/or activity. The performance indicators to be incorporated in the first performance monitoring plan prepared by the contractor should measure achievement of these results.

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USAID requires monitoring of program results using both the F Standardized Program Structure Indicators and results indicators that measure accomplishments according to the results framework. The Mission has prepared an initial list of F indicators that can be used to monitor this program (Attachment 1), and a Results Framework (Attachment 2). The Contractors submitting proposals in response to this RFP are encouraged to propose their own sets of indicators for both of these monitoring tools.

The Contractor is required to develop a final Performance Management Plan (PMP) in English and French (five originals and one electronic copy) for the complete award period and submit for USAID/Morocco review and approval within 90 days after the effective date of the Contract. The PMP will contain the performance indicators that the Contractor proposes to use to objectively measure progress towards achieving each of the results, with definition and unit of measure, as well as baselines and targets (annual and end-of-program). Indicators shall be disaggregated by sex and age (youth up to 25 years and adults over this age) wherever significant differences exist between these categories. Once approved, this plan will provide the basis for the Contractor's progress reporting throughout the life of the Contract. The Plan shall clearly describe the data collection method, data source, time-frame and cost of data acquisition. The contractor shall apply the USAID criteria for selecting performance indicators – that is, that they be direct, objective, practical, adequate, management useful, reflect progress toward achieving results, and attributable to USAID (except for context indicators). The Contractor must also pay attention to the data collection process to ensure that quality data are collected and available to inform management decisions. The key criteria for assessing the quality of performance data are: validity, reliability, timeliness, precision and integrity. Given the flexibility required in adjusting to opportunities and constraints during program implementation, the performance monitoring plan will be reviewed annually in conjunction with submission of each annual workplan.

Offerors shall include in their proposals an initial draft performance monitoring plan and a description of the process that they will follow in coordination with USAID during the first three months of the award period in developing and finalizing a the plan. The draft PMP shall include a description of how the contractor will obtain baseline data and finalizing all targets, along with a description of a proposed methodology for performing data quality assessments that ensure that data collected and reported pass the test of validity, reliability, timeliness, and integrity. The initial draft PMP should show how:

- Outcomes will be measured;
- Outcomes will contribute to results;
- Baseline information will be collected; and
- Activities will be evaluated.

All MEC activities will be subject to rigorous monitoring in relation to specific program indicators and financial controls. The PMP will operate within the structure of USAID Morocco's Assistance Objectives and will be integrated into MEC's information management system.

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STANDARD INDICATORS

ATTACHMENT 1.

Morocco Economic Competitiveness Program
F Standard Indicators

Enabling Environment

Program Area	Program Element	Indicator
Trade and Investment	EG 4.2.2: Trade and Investment Capacity	Number of firms receiving capacity building assistance to export
Trade and Investment	EG 4.2.2: Trade and Investment Capacity	Number of participants in USG supported trade and investment capacity building trainings
Trade and Investment	EG 4.2.2: Trade and Investment Capacity	Number of trade and investment capacity building diagnostics conducted
Trade and Investment	EG 4.2.2: Trade and Investment Capacity	Number of trade-related business associations that are at least 50 percent self-funded as a result of USG assistance
Private Sector Competitiveness	EG 4.6.1 Business Enabling Environment	Number of alternative dispute resolution mechanisms in place as a result of USG assistance
Private Sector Competitiveness	EG 4.6.1 Business Enabling Environment	Number of institutions/organizations mature/viable in the competency areas strengthened as a result of USG assistance
Private Sector Competitiveness	EG 4.6.1 Business Enabling Environment	Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance

Agriculture and Water Management

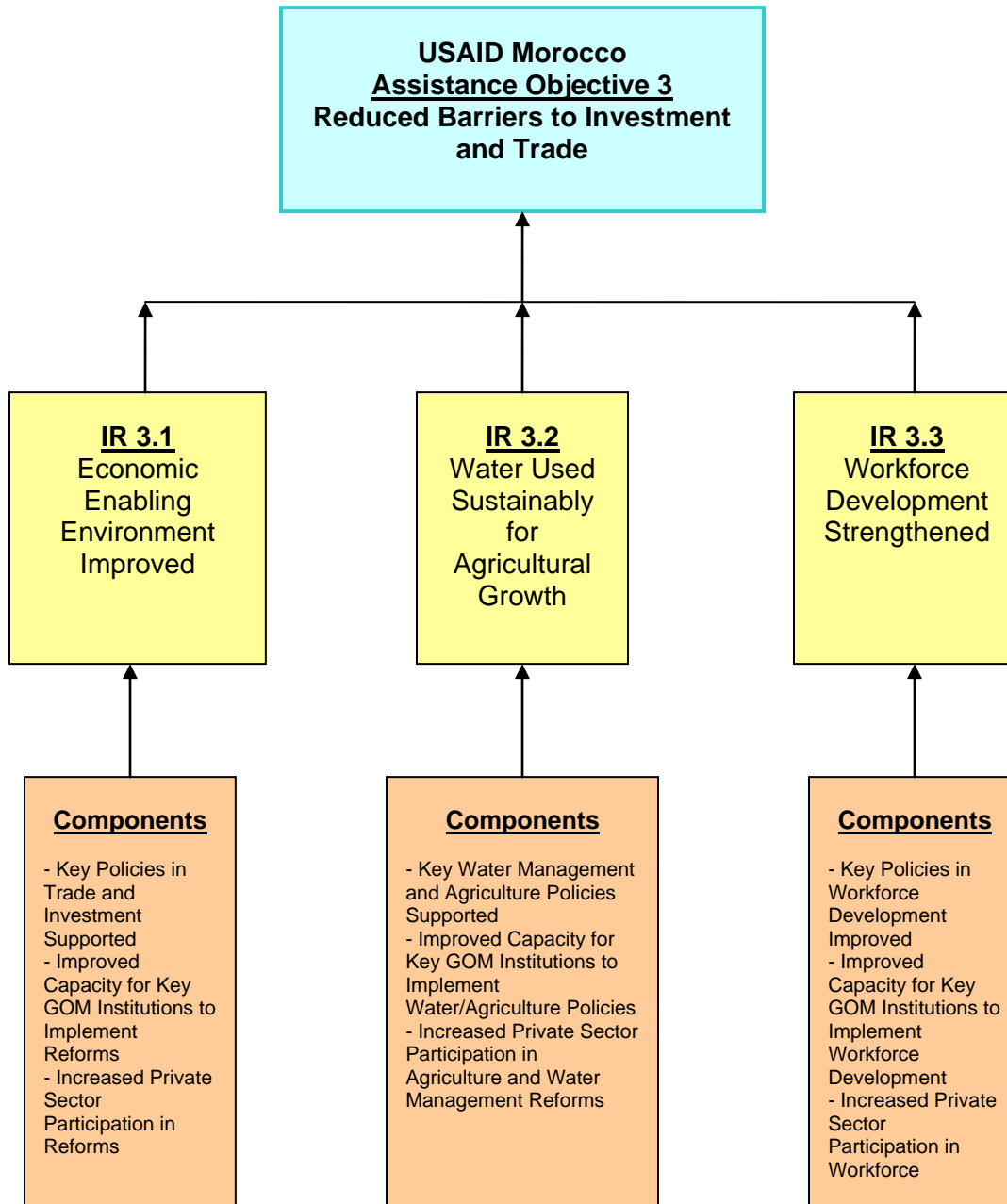
Agriculture	EG 4.5.1 Agriculture Enabling Environment	Number of individuals who have received USG supported short-term agricultural enabling environment training
Agriculture	EG 4.5.1 Agriculture Enabling Environment	Number of institution/organization assessments presented for consultation as a result of USG assistance
Agriculture	EG 4.5.1 Agriculture Enabling Environment	Number of institutions with improved Management Information Systems, as a result of USG Assistance
Agriculture	EG 4.5.1 Agriculture Enabling Environment	Number of institutions/organizations undertaking capacity/competency strengthening as a result of USG assistance
Agriculture	EG 4.5.1 Agriculture Enabling Environment	Number of policy reforms/regulations/administrative procedures prepared with USG assistance passed/approved

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Private Sector Competitiveness	EG 4.6.3 Workforce Development	Number of new or improved workforce development policies drafted through USG assistance
Private Sector Competitiveness	EG 4.6.3 Workforce Development	Number of workforce development initiatives created through USG assisted public-private partnerships
Environment		
Environment	EG 8.1 Natural Resources and Biodiversity	Number of people receiving USG supported training in natural resources management and/or biodiversity conservation.
Environment	EG 8.1 Natural Resources and Biodiversity	Number of people with increased economic benefits derived from sustainable natural resource management and conservation as a result of USG assistance.
Environment	EG 8.1 Natural Resources and Biodiversity	Number of policies, laws, agreements or regulations promoting sustainable natural resource management and conservation that are implemented as a result of USG assistance

Morocco Economic Competitiveness Program
Results Framework



Critical Assumptions

- The Government of Morocco continues to support economic policy reform and implementation, and specifically the objective of private sector-led growth.
- European countries and the U.S. maintain commitment to trade liberalization and avoid protectionism.
- The current global recession does not accentuate, and global trade gradually returns to past upward trends.
- Natural disasters do not affect the targeted regions

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END OF SECTION

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