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USAID/MOROCCO

ANNUAL ACTION PLAN

FYs 1986-87

USAID/MOROCCO ACTION PLAN (FYs 1986-87)

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I. INTRODUCTION

USAID/Morocco's first annual Action Plan constitutes a written summary of the Mission's effort to assess the progress made, as of April 1985, in achieving the strategy objectives articulated in the FY 1986 CDSS and ABS (prepared in the first half of 1984). It is also an effort to revise these objectives and articulate several new ones established by the Mission for the FY 1986-87 period. It does not attempt to set forth a full statement of the Mission's strategy in any sector or in the overall macroeconomic context in Morocco; this will be done in the CDSS to be submitted to AID/W in the Spring of 1986. However, it will be apparent from a review of this document that the Mission's strategy with respect to two of the four "key sectors" is already firmly in place and in the process of active implementation via projects, centrally-funded activities and the policy dialogue. These are Population/Health and Energy Development.

The Mission's sectoral strategies in the other two key sectors, Agriculture and Private Sector Development, are still in the process of reassessment and development. The Agriculture strategy, as set forth in the FY 1984 CDSS (prepared January 1982), entailed a near-exclusive focus on rainfed agriculture and cereals production. This relatively narrow focus is being reconsidered for reasons detailed in the FY 1986 CDSS. A fuller elaboration of a revised Agriculture strategy will be provided to AID/W through a Sector Strategy Paper in mid-summer 1985.

With respect to Private Sector Development, much of the basic analytical work for this strategy has been carried out over the past six months during the development of the PID for the Private Sector Export Promotion Project (608-0189). As the project title indicates, the primary thrust of that strategy is the promotion and expansion of Morocco's exports, principally in the manufactured goods and agribusiness subsectors. The Project Paper will further develop this thrust, and the full strategy will be elaborated in the FY 1988 CDSS.

With respect to Urban Development, the situation is less well-defined. Apart from our active Housing Guaranty Programs, the Mission is now only in the early stages of examining possibilities for involvement in urban development and has as yet made no decision to propose this area as a fifth sector of concentration. A first draft of an Urban Development Assessment was completed in December 1984, but was found by the Mission and RHUDO/NE to require substantial additional analytical work. A revised version of the UDA has just been completed and will be reviewed and discussed by the Mission and RHUDO in early summer of 1985. Only after this review is held will the Mission consider the fuller development of a sectoral strategy in urban development beyond HG Programs. Decisions in this regard will be dependent on FY 86-87 funding levels, staffing implications, and the upshot of recent structural changes in the GOM in this area. Therefore, a strategy in urban development would first appear in the next CDSS, if at all.

The Mission has found the development of an annual Action Plan to be a useful exercise and an improvement in the agency's programming system, on the assumption that the other changes proposed are also carried out (eg., streamlining of ABS and Congressional Presentation requirements). We did experience, however, certain difficulties in preparing the sectoral strategy sections as described in guidance messages and have therefore taken the liberty of making a number of minor revisions to the suggested format for sector strategies, in an effort to simplify it. For example, the "milestones" have been incorporated into the "status" column in the discussion of achievement of existing strategy objectives. Further, the actions to be taken to achieve sector objectives for the FY 1986-87 period have been moved into a column to the right of the objectives themselves, in order to better illustrate the logic of the relationship. We look forward to future discussions with AID/W on how this process can be improved to meet the needs of Washington and the field.

Finally, with regard to FY 1987 assistance levels, we have followed AID/W "control figures" included in STATE 127207 for both DA and PL 480 resources. For ESF, however, we have retained \$40 million, which had been the prior planning figure and adequately satisfies what we see as our programming needs for this assistance category. A \$40 million ESF level in FY 1987 will make possible a substantial acceleration in the private sector export promotion program that we anticipate will be possible and desirable by that time. The increased level will better evidence the high degree of support that we have for the major process of economic reform being undertaken by the GOM. And, it will add quick disbursing resources at a critical moment in this process.

II. PROGRAM DESCRIPTION

A. Macroeconomic Context and Policy Approach

Events beyond Morocco's control -- a long-lasting drought and a worldwide recession in the early 1980's, followed by the rapid rise of the dollar -- account for much of the country's continuing economic crisis. This crisis has relegated Morocco to the status of a low income country, with the per capita income dropping below \$750 in 1983 and falling further in 1984. Not all of the blame for this situation can be placed on outside events, however. Their impacts have been exacerbated by the country's vulnerable economic structure, itself largely a result of the economic policies pursued.

In concert with the international donor community, Moroccan authorities have set out to examine the underlying weaknesses and to devise new and often fundamentally different policy approaches. The country has embarked upon a far-reaching economic policy reform, lifting the heavy hand of dirigisme to move to a market-oriented economy. The reform incorporates several elements -- lowering protective tariff and non-tariff barriers to improve competition and efficiency in domestic markets, encouraging exports, relaxing or abandoning controls on prices of goods and services as well as of productive factors (primarily capital), modernizing the tax structure, seeking ways to reduce subsidies, and generally reducing the role of the public sector and improving policy management.

Many elements of this reform are greeted with trepidation by various economic and political strata -- sometimes justifiably so because the adjustment process is not always painless. As noted at the Consultative Group meeting in January, the necessary structural change is particularly difficult to achieve at the current time of severe budgetary and borrowing constraints. Without debt rescheduling over the next three years and substantial concessional assistance, the Moroccan economy will be unable to maintain the pace needed to prevent further declines in per capita income during the period of restructuring. Even so, the Government of Morocco appears firmly committed to a strategy of relying more and more on market forces to stimulate economic development. The success of this strategy hinges on the economy's ability to change and adapt, to take advantage of the new opportunities to prune inefficient activities, to grow in new areas, and to prosper in a more competitive environment.

The Moroccan economy has begun to respond to the reform measures, as evidenced by export performance and private sector investment trends, although it is clearly too early to judge progress. Near-term economic prospects looked promising until expectations for a good cereals harvest were thwarted by the drought conditions which developed in the early spring of 1985. The other sectors of the economy seem to perform well, allowing the government to keep the reform process on track. Even so, the shortfall in cereals production is likely to cause some slippage from the current account balance targets, thereby necessitating additional unplanned borrowing. Over the medium term, however, if exports perform as well as expected, the Moroccan economy should be able to continue its structural adjustment and be in a good position to expand aggressively in the 1990s.

The current policy reform environment offers an unprecedented opportunity to enhance USAID's policy dialogue with the Government of Morocco and strengthen its impact. Two factors combine to create this opportunity.

First, austerity in the public sector has not only reinforced the recognition of the private sector as the principal engine of economic growth. It has also meant greater policy leverage for any form of concessional assistance. Second, many elements of the policy reform correspond to positions long espoused by USAID, lending greater credence to our arguments in the on-going policy dialogue. At the same time, the current austerity also hampers the implementation of specific projects, since the GOM finds it increasingly difficult to come up with its counterpart contribution, both financial resources and staff.

The Mission has begun to exploit the opportunities for greater policy impacts through its projects, the PL-480 program, and its continuing policy dialogue with the GOM and with other donors, especially within the context of the Consultative Group. The re-orientation of economic policies supported by the World Bank allows us to support overall reform by focusing on areas of particular concern to USAID, complementing the Bank's activities instead of just following in its footsteps.

The more receptive attitude of GOM agencies has made possible a renewed emphasis on adequate pricing to remove distortions, and higher productivity in public sector activities across all key sectors — agriculture, health and population policy, and energy. To complement these common themes, the Mission is modifying its traditional portfolio of assistance to include major projects to support efforts toward more market-oriented economic policies and export promotion. It has also begun to support a national training program in project management that forms part of a broad effort to improve the performance of the public sector.

The two major new projects will focus on economic recovery and policy reform, complementing structural changes in trade and the industrial and financial sectors which the GOM is pursuing in cooperation with the World Bank and the IMF. An economic policy analysis support project will assist GOM agencies in improving their capabilities in policy appraisal and management to smooth the transition to a market-oriented and competitive economy. It will also provide assistance in developing approaches to improve the performance of public enterprises, especially through the involvement of the private sector. A major subproject will focus on assistance to the Pricing Directorate in the Ministry of Economic Affairs. This component represents a type of assistance combining policy dialogue and institution-building that offers considerable leverage in contributing to a more efficient and equitable economic system. The project is also designed to give USAID the needed flexibility in responding to relevant needs and opportunities in economic policy formulation and appraisal.

An export promotion project will support efforts to strengthen the critical but so far largely neglected area of export credit insurance, provide credit for inputs needed by exporters, and finance technical and managerial assistance and training for entrepreneurs and managers to help them penetrate new export markets.

The common principles in the Mission's key sector activities — adequate pricing, market orientation, and effective management — combined with new complementary project activities allow for an effective contribution to formulating and putting in place a new policy framework for future growth. This pattern program will continue to characterize the USAID program.

B. Sectoral Strategies and Policy Dialogue Plans

1. AGRICULTURE

A. Strategy Narrative

A major revision of the Agriculture Sector Strategy for Morocco was developed for the FY 1984 CDSS (prepared in January 1982). This new strategy focused almost exclusively on one sub-sector - rainfed cereals production - to decrease Morocco's dependence on imported cereals. The commitment to rainfed agriculture was reiterated in the FY 85 CDSS. However, the FY 86 CDSS (prepared in January 1984) examined some of the assumptions behind the rainfed strategy and noted that they were closely linked to the GOM's declared commitment to the implementation of the "Plan Céréalière", developed by the Ministry of Agriculture with assistance from FAO. It was also noted that the supply of new, proven technology was still several years away, that agricultural extension was still poorly organized, and that the GOM possessed limited ability to realign resources towards rainfed agriculture (and away from irrigation). The impact of four (now five) years of drought has also hindered the implementation of parts of the strategy. Events since the preparation of the FY 1986 CDSS have not materially changed these views.

USAID made major advances in FY 85 in implementing the sector strategy through its project activities in applied agricultural research with a farming systems approach (in rainfed agriculture and rangeland management) and in continuing institution building efforts in agricultural education and research. A new project was developed with the Agricultural Credit Bank (CNCA) with potential for future activities in private sector lending. The foundations for enhanced agricultural policy dialogue in the area of prices and subsidies has been laid.

Nevertheless, with Morocco in its fifth year of drought and with economic austerity expected to continue, it is appropriate to re-examine the agricultural sector strategy. At least two major themes need to be explored:

1. It appears increasingly less certain that investment in rainfed agriculture has a higher payoff than investment in other subsectors of agriculture. Water is increasingly scarce and the GOM must address the issues of water use, conservation and management and of planning for drought. In this context, USAID's exclusive focus on marginal rainfed agriculture may not be a fully appropriate strategy.

2. Greater public sector investment in rainfed agriculture is not the answer it was once thought to be. Public sector resources are increasingly scarce and the capacity for public program and project management is limited. It is necessary to improve the efficiency with which public sector resources are used by strengthening public sector management capability. In addition, alternatives to public sector intervention must be encouraged, wherever appropriate.

In light of these developments, USAID is preparing a revised draft Agricultural Sector Strategy Paper for submission to AID/W in the summer of 1985 which will lay out realistic opportunities for furthering the rainfed strategy and for incorporating new elements in the strategy which are

- o Augment capacity of GOM in Agriculture Sector data gathering and project monitoring and evaluation (FY 85 ABS Action Plan).
- o Strengthen the capacity of the National Agronomic and Veterinary Institute (IAV) to train manpower for the agricultural sector (FY 85 ABS Action Plan).
- o Strengthen GOM capability to carry out its Range Management Program (FY 85 ABS Action Plan).
- o Conduct of all day Seminar (as a Self-Help Measure) on research/extension coordination and farming systems research approach. Approximately 200 people attended. (April 16, 1985).
- o Summary: Partially achieved. Level of GOM commitment to reform of extension and its organization still uncertain. Output of Research still not yet available for extension.
- o PASA resident statistician fielded.
- o Agricultural economist and objective yield statistician recruited for September 1985 arrival.
- o Project 608-0182 encountered delays in fielding of PASA/TA team. These were largely resolved by March 1985.
- o Linkage being developed under PNAP for project analysis. However, project preparation and appraisal capacity in the Ministry is still very weak (e.g. appraisal of the Settat IRD Project).
- o Prices and Incentives study initiated in conjunction with IBRD.
- o Summary: Partially achieved. Statistical work proceeding well; economics work not yet started (with exception of Prices and Incentives Study).
- o PP Amended to finance final 5 years of technical assistance, training and facility development (till 1990).
- o First doctorate awarded to a Project Participant in September 1984. Six more expected before end FY 85.
- o Agronomic Institute developing international reputation for excellence in teaching and research.
- o Summary: Substantially achieved
- o Following January 1984 project evaluation, project was redesigned and major PP and Host Country Contract amendments were completed in calendar 1984. Project fully staffed and GOM very satisfied with positive turn-around of project. GOM and contractor have requested earlier evaluation date.

- o Assist the GOM to make agricultural credit more readily available to small farmers affected by the drought (FY 86 ABS Action Plan).
- o Promotion of increased Agricultural Production and export through assistance to Regional agricultural organizations and other semi-public or private entities (FY 86 ABS Action plan).
- o Explicit efforts now directed towards fulfilling institution building objectives of the project.
- o Linkages developed with Tunisian range management project.
- o Plant Materials Center established and operating, medics collection developed as a major GOM resource for the development of rangelands and marginal cereal producing areas.
- o Improved coordination with Small Ruminant CRSP.
- o Livestock owners and landowners requesting GOM assistance in improving forage production on public and private lands.
- o Summary: Major improvement in last 12 months. Evaluation being planned for October 1985 and as guide to need for follow on action.
- o Drought Recovery Credit Project authorized and \$15 million obligated (March 1985)
- o Loan (\$13.5 million) expected to be fully disbursed by August 1985
- o Grant (\$1.5 million for TA, training etc.) - host country contracting process underway.
- o Donor coordination with IBRD improved (linkage of project to 5th and 6th IBRD credit lines, agribusiness etc).
- o Summary: Loan Disbursement on track. Good initial progress on Grant.
- o Little progress to date in cooperatively designing this FY 1986 project with the GOM. Effective mechanisms for project implementation not yet identified.
- o Project objectives partly addressed by other projects (Export Promotion; Price Policy)
- o Discussion ongoing with GOM on assistance to ORMVA'S, in context of PL 480 Self-Help Measures and proposed IBRD loan to strengthen ORMVAs.
- o Summary: Little progress as yet.

C. Strategy Objectives and Actions for FY 86-87

OBJECTIVES

ACTIONS

- o Improve farming systems research for the rainfed agriculture sub-sector and extend appropriate technologies to farmers
 - o Develop an effective means for the coordination of Agricultural Research and Extension
 - o Augment capacity of GOM in Agriculture Sector data gathering and project monitoring and evaluation
- o Expand on-farm research under 608-0136 to at least 25 sites (January 1986)
 - o Conduct Farming Systems Research workshop with INRA (possibly with assistance of S&T Project and MARA extension seminar).
 - o Set up Soil test calibrations capability at Aridoculture Center (April 1985).
 - o Agricultural information Center fully staffed and producing output for farmers (March 1986).
 - o Integrated Work Plan for Agricultural Information Center, MIAC and INRA at Aridoculture Centre Settat (October 1985).
 - o Privatization of 10 fertilizer centers decided (Self-Help Measure) (May 1986).
 - o Implementation of FY 85 PL 480 Self-Help Measures for INRA (salaries closing of stations, seed production)
 - o Implementation of Self-Help Measures for 28 Pilot CTs.
 - o Possible design and implementation of 608-0165 with ORMVA for rainfed extension (October 1985).
 - o Conduct workshop on lessons learned from 608-0145 in regards to planning by objectives for outreach work (April 1986).
 - o Resident economist and objective yield statistician recruited and at work (January 1986).
 - o Aerial photography contract let and contractor at work (March 1986).
 - o Computers installed (April 1986).
 - o Five long term trainees in U.S. (June 1986).
 - o Area Frame Sample extended to 10 entire provinces (June 1986).
 - o Conduct project analysis seminar (self-help measure) (December 1985).
 - o MARA completes Action Plan for reinforcing economic analysis and USAID decides on participation in it (December 1985).

- o Strengthen the capacity of the National Agronomic and Veterinary Institute (IAV) to train manpower for the agricultural sector.
- o Strengthen GOM capability to carry out its Range Management Program.
- o Assist the GOM to make agricultural credit more readily available to small farmers affected by the drought.
- o Assess Sector Strategy.
- o Implement Policy Dialogue Plan.
- o Complete 10 doctoral programs in FY86.
- o Evaluate Small Ruminant CRSP and follow-on (December 1986).
- o Maintain full staffing of Project.
- o Departure of last 3rd cycle students (July 1986).
- o Conduct evaluation of Project 608-0145 and make management decision on need for a follow-on activity.
- o Loan (\$13.5 million) fully disbursed (by August 1985) and Audit completed (October 1985).
- o Contractor selected and 2 resident TA in place by January 1986. (August 1985).
- o Training and Studies underway.
- o Sector Strategy Paper completed (July 1985) and incorporated into CDSS (April 1986)
- o Begin design and implementation of any new components (June 1986).
- o Monitor Plan and negotiate Self-Help Measures for Title I under existing/future agreements (ongoing).
- o Conduct first major policy dialogue in price-subsidy area (December 1985) with IBRD.
- o (See also below).

D. Policy Dialogue Plan

1. Narrative

The long run objective of decreasing Morocco's dependency on improved cereals and increasing rural incomes is still a long way from being realized. The balance of payment crisis of the last three years has restricted Morocco's public investment resources to all sectors, including agriculture, and the drought has had adverse effects not only on the macro-economic picture but on the micro economies of farm households (seed depleted, credit loads increased, livestock sold off). The GOM's ability to formulate economic policy, to plan, to develop projects and to marshal resources in a coherent agricultural strategy (particularly through its "Plan Céréalière") remain very weak. Assistance in the agricultural sector has been focused on removing these constraints through 1) addressing the agricultural technology delivery system (teaching-research-extension) for rainfed agriculture and range management system, 2) providing immediate drought recovery assistance in the area of agricultural credit and 3) strengthening the capacity of the Ministry of Agriculture and Agrarian Reform in planning, economics and statistics.

There has also been unusual opportunity in FY 85 to reinforce project assistance through policy dialogue as a consequence of greater general willingness by the GOM to discuss liberalization of the economy. Policy dialogue in agriculture has, in the past, focused on institutional reform (particularly in the areas of research and extension) and on the reorienting of priorities of public investment in agriculture towards rainfed agriculture. In FY85 USAID laid the basis for engaging the GOM in potentially far-reaching agricultural economic policy dialogue in the difficult but critical area of prices and subsidies.

It must be recognized that the knowledge base for agricultural economic policy dialogue is particularly weak. Modern agricultural economics is not yet established in Morocco. USAID has yet to field an agricultural economist in a resident TA position in Morocco (two will be in place by the end of FY 85). There has been only one Ph.D dissertation from a U.S. university in agricultural economics on a Moroccan topic in the last 15 years.

USAID is therefore developing its economic policy dialogue by simultaneously 1) building the knowledge base - including the human resource and institutional structures; 2) encouraging the conduct of applied policy oriented studies e.g. the Prices and Incentives Study and 3) creating the expectation within GOM that in FY 86 and beyond USAID will be engaging it in policy dialogue on some sharply focused price policy issues using the leverage of PL 480 Title I, AID project resources and linkages with the IBRD's sector lending.

USAID considers that its agricultural policy agenda is both tightly constructed and carefully integrated with project and program resources - including the leverage of other donor resources. It reflects a long-term commitment by USAID to institution building and technology transfer and a newer interest in economic policy. It is designed to provide USAID with a new capacity to engage the GOM in issues of prices and subsidies and to improve understanding of the functioning of the Moroccan agricultural economy. The policy dialogue efforts are also designed to exploit new opportunities that

are now available for encouraging, reinforcing and accelerating the GOM's tentative efforts towards deregulation and divestiture within the agricultural sector. USAID is optimistic that this will be an area in which progress may be possible. Deregulation in the areas of seed production, fertilizer distribution, and the divestiture of unnecessary research substations are already included in USAID's policy dialogue activities.

2. Agenda

POLICY OBJECTIVES

RESOURCES

1. Institutional Reform

- o Pursue policy decision and implementation by GOM on future reform of National Agricultural Research Institute (payscales, divestiture, seed production, etc.)

- o 608-0136 Aridoculture Center
- o P.L. 480 Local Currency Generations
- o P.L. 480 SHM
- o Coordination with ISNAR, ICARDA, ACSAD, CIMMYT, etc.
- o Coordination with IBRD Sector Loan

- o Encourage GOM to establish clear policy on mission, purpose and function of Agricultural Extension, including role of private sector

- o 608-0136 Farming Systems Work (and under MOU)
- o 608-0145 Range Management
- o P.L. 480 SHMS

2. Public Investment Policy

- o Realign Investment budget in 1986 so that resources allocated to rainfed agriculture can be measured and increased.

- o P.L. 480 Local Currency Generation
- o P.L. 480 SHMS

- o Improve management and control of agricultural investment policy by computerization of budget process

- o 608-0182
- o P.L. 480 SHMS

- o Establish policy for improvement of agricultural project preparation by GOM

- o 608-0182
- o PNAP
- o P.L. 480 SHMS

3. Economic Policy

- o Increase knowledge base on functioning of agricultural economy and engage GOM in discussion of alternative institutional loci for policy work

- o Doctoral dissertation (608-0160)
- o Encourage IFPRI presence
- o P.L. 480 SHMS
- o 607-0182 and 608-0136, new Ag. Economist resident TA

- o Conduct applied economic research on selected policy topics
- o Engage GOM in discussion of Price/Subsidy Reforms in 1 or 2 selected areas
- o AIRD Study (and follow on)
- o CNCA Grant Project (608-0184)
- o 608-0182
- o Coordination with IBRD Sector Loan
- o FY 1986 P.L. 480 SHMS
- o S&T Policy Project(?)
- o 608-0191 Economic Policy Analysis Support

4. Other

- o Undertake a discussion of the need for long-run management of drought and for high-level water resource use policy coordination and implementation.
- o UNDP and Snow Pact Augmentation
- o Proposed Project 608-0185
- o High-level Conference on Climate Variation, Water Resources Management and National Food Supply.
- o Divestiture and deregulation of seed production and fertilizer distribution, delegation of Ministry of Agriculture responsibility to ORMVAs for development of dryland agriculture and increased business efficiency of ORMVAs.
- o PL 480 Self Help Measures Project 608-0185

2. POPULATION/HEALTH

A. Strategy Narrative

Morocco's current high rate of population growth (2.8% per year) makes the achievement of all development objectives problematic. The chronic and growing food deficit, for example, is greatly exacerbated by Morocco's explosive population growth. The A.I.D./GOM population strategy seeks to reduce the birth rate in Morocco through the extension of family planning and primary health care services to Morocco's most populous provinces and urban centers. Basic to this strategy are project interventions to strengthen the managerial capacity of the Ministry of Public Health to furnish family planning and primary health services on a nationwide scale. Family planning education and contraceptive distribution are combined with the delivery of primary health interventions (ORT, breastfeeding promotion, immunizations, etc.) to optimize the utility and acceptability of the A.I.D.-financed program, in a country where cultural barriers to birth control are formidable. The program is being carried out with UNFPA support, and combines the upgrading of services provided in fixed health facilities with the progressive establishment of a highly mobile, paramedical home delivery service (VDMS). Increased involvement of the private sector in family planning promotion and health service delivery is expected to broaden the impact of the program and improve its cost-effectiveness. Supporting activities are being carried out with other Ministries to strengthen the GOM's understanding of the development implications of rapid population growth and resolve to affect such growth.

B. Current Strategy Objectives - Status and Milestones

OBJECTIVES

STATUS AND MILESTONES

o Increase levels of contraceptive practice (prevalence) by expanding access to family planning and health services.

The household delivery system (VDMS) for family planning and basic MCH interventions is continuing to extend access to services. Under the new Population/Family Planning III Project, the MOPH has developed a detailed workplan for the January 1986 expansion of VDMS activities into marginal areas of the country's three major urban centers (Casablanca, Rabat and Tangier), and pre-launch planning and data collection has begun in the 5 new VDMS provinces. The nationwide CP survey carried out in 1983 confirmed a national prevalence of 25%, reaching 40-50% in the first 3 VDMS provinces.
Summary: Substantially achieved (ongoing).

o Increase availability of clinic/hospital-based family planning services.

Clinical training and procurement activities initiated to equip an additional 500 MOPH clinics to provide IUD insertion services; Clinical reproductive health services expanded to 20 provincial hospitals; 36 physicians

trained and equipped to provide surgical contraception services.

Summary: Substantially achieved (ongoing).

o Encourage the "commercialization" of contraceptive services delivery.

Feasibility study to determine potential for the subsidized commercial distribution of contraceptives in Morocco completed by the Futures Group. Based on study findings the Mission is developing an OPG with the Moroccan Family Planning Association (AMPF) to initiate a social marketing program in Morocco.

Summary: Partially achieved (ongoing).

o Improve the Ministry of Public Health's (MOPH) planning, management and logistic support capabilities.

Project evaluation (11/84) documented progress to date in achieving management improvement goals under Project 608-0151. Significant improvements in pharmaceutical logistics, human resource management, financial management and vehicle logistics have been achieved, with consolidation expected during the coming year. Improved MOPH motor pool information system developed for national implementation and national standard drug nomenclature list revised and improved. MOPH data processing capacity for equipment and human resources has been greatly strengthened.

Summary: Substantially achieved.

C. Strategy Objectives and Actions for FY 86-87

OBJECTIVES

o Increase levels of contraceptive practice (prevalence) by expanding access to family planning and health services

ACTIONS

o Expand VDMS into marginal areas of 9 urban prefectures (second quarter FY86).

o Expand VDMS into 5 new provinces (second quarter FY86).

o Assure MOPH budget provision for VDMS costs in initial three project provinces (third quarter FY86).

o Assure MOPH budget provision for VDMS costs in the second group of 10 project provinces (FY87).

o Assure that VDMS program costs for initial three provinces are transferred to GOM (FY87).

o Increase availability of clinic/hospital-based family

o Expand Reproductive Health Services to 10 additional provinces

- o Improve quality and effectiveness of information, education and communications support of family planning and ORT programs.
- o Strengthen family planning and basic health service program management and evaluation activities.
- o Consolidate management improvements already initiated with MOPH.
- o Encourage the "commercialization" of contraceptive services delivery.
- o Increase awareness on the part of GOM policy makers of the impact of rapid population growth on development objectives, and consideration of population and demographic variables in the GOM planning, policy formulation and resource allocation process.
- o Revise MOPH and AMPF communications training modules; conduct refresher training for central and provincial level personnel (FY 86)
- o Begin method specific family planning advertising (FY 86)
- o Develop national IEC program in ORT and other PHC technologies.
- o Conduct a series of mini studies and surveys each of which focuses on specific aspects of program and management performance. (FY 86)
- o Train center and provincial level personnel in evaluation methodology and performance. (FY 86)
- o Complete project-supported management improvement interventions, specifically preparation of standard drug treatment protocols, utilisation of computer assisted drug ordering methodology, national expansion of motor pool information system and increased use of personnel information for management and planning applications (first quarter FY86).
- o Complete market research on consumer attitudes regarding family planning methods, accessibility of services, provider preference and perceived blockages (attitudinal and/or structural) to increased contraceptive utilization (first quarter FY86).
- o Begin subsidized sale of contraceptive commodities (fourth quarter FY86).
- o Hold national seminars analyzing demographic and developmental impact resulting under various alternative resource allocation and contraceptive prevalence scenarios (first quarter FY86).
- o Incorporate analysis of the impact of demographic variables on the achievement of targets in various development sectors in the GOM Three Year Development Plan-- 1986-88 (second quarter FY86).

o Assist GOM in consideration of alternative health financing mechanisms that permit a sharing of health costs between the public and private sectors.

o Develop specifics of potential support for public/private health financing intervention, e.g. national debate/conference, observational travel, pilot activity, etc. (first-third quarters FY86).

D. Policy Dialogue Plan

1. Narrative

Many of the problems that confront Moroccan policy makers in the preparation of the next development plan are a consequence of the slow start of the population program during the late sixties and early seventies. The program's increasing success, however, is demonstrated by a drop in the total fertility rate from 6.3 to 5.8 between 1978 and 1983, and an increase in contraceptive prevalence from 12 % to 25.5 % during the same period. Much of this success has been achieved through the successful implementation and expansion of the MOPH's household level family planning/MCH service delivery program. Current GOM financial constraints, however, make it increasingly necessary for the Moroccan family planning effort to expand beyond the public health sector if the further substantial increases in program performance leading to a lasting demographic impact are to be achieved at a supportable cost.

The Mission's policy dialogue in the Population and Health Sector thus addresses two interrelated needs; the first, to expand the availability of family planning and health services by increasing the diversity of providers in both the public and private sectors; the second, to spread the cost of such services more equitably between the public and private sectors through increased public and private collaboration in services delivery and financing.

To meet the first objective, USAID will use both project and centrally contracted resources to broaden service capabilities beyond the MOH by funding pilot delivery activities with PVOs and engaging other ministries in family planning promotion and appropriate service delivery. Furthermore, such resources will be used to carry out market and consumer research to strengthen commercialized contraceptive services in the private sector.

Expansion of the service delivery network in this way, beyond its traditional home in the maternal child health program and through the private sector, is in many ways dependent on enhanced awareness of policy makers of the impact of rapid population growth on achievement of development objectives. To that end centrally contracted technical assistance is being provided to the Ministry of Plan in assessing the potential role of fertility reduction in areas such as education, employment, health, housing and agriculture, and in integrating such data in development planning efforts. Similar assistance is being provided to the MOPH and the private family planning association in better analysis and presentation of recently collected demographic data to policy makers as a means of encouraging increased resource allocations to programs, including family planning, that accelerate fertility decline.

Finally, to address the problem of increased scarcity of public resources available for social sector programs, USAID will use centrally funded resources to encourage government and private sector providers to identify and test appropriate alternative health financing mechanisms that permit private/public collaboration in delivery in cost-effective health services. Such collaboration, initiated with centrally funded resources as well, will be

used to test and disseminate improved primary health technologies related to child survival including more acceptable forms of ORT and improved vaccine packaging.

2. Agenda

POLICY OBJECTIVES

Population

o Support the expansion of family planning services capabilities beyond the Ministry of Health in both the public and private sectors

o Increase awareness of GOM policy makers of the impact of rapid population growth on development objectives leading to greater resolve to affect such growth.

o Pursue dialogue with Ministries of Health, Plan and Finance and with the private sector to test alternative health financing mechanisms, and to increase public and private sector collaboration in child survival activities.

RESOURCES

- Observational travel.
 - Seed money for pilot activities with PVO's.
 - In-country and overseas training.
 - Technical assistance.
 - Market and consumer research
 - "Commercialization" activity
- (Project 0171, centrally funded contracts)

- Technical assistance..
 - In-country and overseas training.
 - Observational travel
- (Project 0171, centrally funded contracts-- INPLAN, RAPID).

- Technical Assistance.
 - Observational travel.
 - Seminar and conference support.
 - Project design assistance.
 - Pilot project support
- (centrally funded contracts-- PRITECH, PATH, PRE, coordination with IBRD funded health loan)

3. ENERGY

A. Strategy Narrative

With over 40% of Morocco's export earnings being used to purchase imported petroleum, energy development is a high priority. AID's strategy is to ensure efficient use of existing energy resources and to increase domestic production of energy. AID will strive to achieve these ends by strengthening a high-level energy policy analysis and planning unit in the Ministry of Energy and Mines (MEM) while accelerating the development of domestic conventional and renewable energy sources. AID project activities in support of domestic conventional and renewable energy sources are being undertaken in tandem with complementary efforts by the World Bank and include the provision of financial management and technical assistance, training, and a limited amount of equipment to MEM, the National Petroleum Exploration and Production Company (ONAREP), and the newly created Center for the Development of Renewable Energy (CDER). This multi-faceted approach to ameliorating the energy resources crisis in Morocco has been undertaken pursuant to AID's Energy Sector Strategy and the GOM's stated long-term policy objectives in the sector.

B. Current Strategy Objectives - Status and Milestones

OBJECTIVES

- o Advise the GOM on the rationalization of its budgetary and investment priorities in the Energy Sector, and help it to adopt policy analysis based on market principles.

STATUS AND MILESTONES

Centrally funded Energy Management and Conservation Project (936-5728) provided the GOM Ministry of Energy and Mines (MEM) with high quality assistance in policy analysis, pricing issues, and energy investment planning.

"ENVEST", a microcomputer-based energy planning model, developed by an AID funded contract team and MEM, has been used in the analysis and review of specific energy project options.

Procurement process underway for suitable contractor to implement follow-on work under Energy Planning Assistance Project (608-0180). Chief-of-party expected by 4th Quarter FY85.

Energy Planning and Information Service (SPD) established by MEM as condition precedent to Energy Planning Assistance Project.

MEM counterparts proposed for positions of Energy Economist/Policy Analysis and Energy Efficiency/Conservation Specialist in anticipation of arrival of resident contract advisors.

English Language Training begun for MEM staff.

Summary: Planning/analysis tools developed, planning network begun, and some MEM staff in place ready and to begin follow-on work with new contractor.

- o Test the economic, technical, social, and commercial feasibility of renewable energy technologies in Morocco.

Establishment of the Centre du Developpement des Energies Renouvelables (CDER) as a parastatal of the MEM.

Resident and short term technical assistance provided to CDER under project 608-0159.

Recruitment and training of CDER staff slow but accelerating.

Solar, biomass, and other lab equipment provided to CDER under 608-0159 and operating at various sites.

Biomass pilot project operating and being replicated/modified at 40 other locations with CDER providing technical assistance.

2 PV and 2 wind pilot projects to be installed by end of summer. 1 small hydro pilot project in planning.

Studies underway for major refuse derived fuel (RDF) pilot project in Marrakech.

Matching grant program for private sector renewable energy applications ready to begin operation.

SUMMARY: After a slow start, project 608-0159 is making accelerated progress toward its renewable energy strategy objective.

- o Strengthen the management abilities of Morocco's National Petroleum Exploration and Development Agency (ONAREP) to appraise, explore for and develop Morocco's oil and gas resources.

Under a recently completed, centrally-funded Conventional Energy Management and Training Project (936-5724), ONAREP received resident and short-term technical assistance.

Follow-on Mission-funded technical assistance team (Project 608-0176) is now on-site and includes experts in U.S. oil company planning and management, joint venture promotion, exploration and design analysis, and reservoir and production engineering.

Since the inception of subsection activities, several international petroleum exploration companies have begun as extended concessions.

Technical assistance emphasis on helping ONAREP, as a parastatal, move toward management practices which are more in line with private sector petroleum companies' practices. -

SUMMARY: Current project is off to a fast start though pressure on ONAREP to find oil is a force which sometimes diverts attention from management and economic/financial issues.

C. Strategy Objectives and Actions for FY 86-87

OBJECTIVES

- o Improve the quality of analysis available to GOM officials charged with making energy policy, investment, and conservation decisions. Specifically, strengthen the analytical and advisory capabilities of the Energy Directorate and its Energy Planning and Information Service (SPD) within the GOM's Ministry of Energy and Mines.

ACTIONS

- Award Technical assistance contract (Fall of 1985).
- Begin interministerial colloquia to strengthen MEM and SPD in collaboration with other public and private organizations involved in energy issues (Fall 1985).
- Provide long and short-term training and internship in business/financial analysis and other subjects (FY 85-87).
- Begin academic training for SPD Energy Economist (Fall 1986) and Energy Technologist/Conservationist (Fall 1987).
- Develop micro-computer network to link MEM and parastatals involved in energy policy, investment, and conservation decision (Fall of 1986).

- o Test the economic, technical, social, and commercial feasibility of renewable energy technologies in Morocco.

Fully operational Small Projects Fund (matching grants to private sector). 4th Q 85.

Complete installation of first group of pilot projects and economic, financial, and technical monitoring programs in place. 1st Q 86.

Complete installation of a second group of pilot projects, with economic, financial, and technical monitoring programs in place. 9/86.

Complete technical training of 30 professional staff. 9/86.

Construct and equip Center for Renewable Energy in Marrakech. 9/86.

- o Encourage economic and financial analyses in selecting renewable energy applications for investment, in order to maximize the chances of eventual private sector dissemination.

Apply new project selection criteria at prefeasibility study stage. 3rd Q 85.

Institute economic and financial analyses as part of detailed technical dossiers on all new projects to be considered for funding. 9/86.

Increase CDER capabilities to perform the above analyses on all projects. 9/86.

- o Strengthen the internal capabilities of the National Petroleum Exploration and Development Agency (ONAREP): (i) to apply cost effective private sector management principles and techniques; (ii) to establish ties with private sector partners in petroleum investments; (iii) to explore, develop, and produce hydrocarbon resources.

Institute techniques of economic analysis which will encourage development projects with high rates of return and economically efficient price structures. 1985-87.

Establish internal audit capability responsive to MEM and MOF needs. 3rd Q 85.

Support the computerization, with appropriate training, of reservoir engineering analyses. 4th Q 85.

Establish and extend to all ONAREP professional employees a personnel performance management system. 2nd Q 86.

Institute a monitoring program to quantify performance in the field on a cost-per-unit of production basis. 3rd Q 86.

Study and make recommendations on ONAREP's divestiture of drilling operations or relinquishing direct responsibility to a contractor. FY 86.

Train ONAREP personnel to monitor the design, installation, commission, operation, maintenance and repair of petroleum transmission facilities. 1st Q 87.

Provide on-the-job training to ONAREP geologists/geophysicists in the collection and analysis of petroleum exploration data and eventual development of autonomous regional exploration teams. By 1st Q 88.

D. Policy Dialogue Plan

1. Narrative

Currently, GOM energy policy is established largely through a political process at the highest levels, particularly through strong government intervention in controlling consumer prices, generating/assuring supplies, and more recently by taxes and subsidies to influence investment and consumption decisions. The locus of control, however, is diffuse, with many agencies and parastatals sharing responsibility and authority. Especially in the area of demand management, broader social and economic goals often leave little room for maneuver for energy policy makers. Thus, while the Ministry of Energy and Mines has a mandate for overall policy formulation, it must operate in a very complex environment, trying to balance the often conflicting interests of various segments of government and society.

Consequently, the policy program for the Ministry of Energy and Mines is slanted toward the development of domestic energy resources. Out of the eight specific objectives promulgated by the Ministry of Energy and Mines in the 1981-1985 National Plan, six relate to resource development (hydro, coal, oil and gas, oil shale, nuclear, and renewable energy). Demand management -- or the promotion of efficient energy use -- and rural electrification round out the set of policy objectives. Circumstances have forced the GOM to assign low priority to some of the resources to be developed, such as hydro (because of the drought) or oil shale (because of cost). Even so, national energy policy has remained preoccupied with resource development. Demand management has not received the same focused attention, in part because the key instrument -- pricing -- is effectively outside the control of any single agency. Moreover, institutional arrangements have allowed consumers to postpone paying their (energy) bills, diluting the power of pricing as a management tool.

USAID's program in the energy sector is characterized by an emphasis on the improved management of investments in the energy sector, demand, and resource development. This emphasis is reflected in three major principles that have shaped USAID's approach to this key sector:

(1) The effective pricing of energy products should reflect the economic value of different options to promote efficient consumption patterns and provide adequate incentives for private investment in energy resource development and distribution.

(2) Energy resource development activities should be managed as efficiently as possible, striving for the most suitable balance between public and private sector involvement.

(3) Public enterprises (parastatals) in the energy sector should be guided toward economically efficient investment decisions in energy development, conversion and distribution.

These concerns are being pursued in USAID's policy dialogue and program activities in the energy sector itself, as well as in other sectors that contribute directly to the formulation of national energy policies.

2. Agenda

POLICY OBJECTIVES

o Adequate pricing

o Efficient management/public-private sector balance

o Efficient investment decisions

RESOURCES

Pricing analysis are conducted under the Energy Planning Assistance Project (608-0180) and Energy Management and Conservation Project (936-5728);

Natural gas pricing decisions are examined in Conventional Energy Management and Training Project (608-0176);

Coordination with World Bank and IMF;

Overall pricing policies are reviewed through Economic Policy Analysis Support Project (608-0191).

Focus on "promoter role" of CDER in Renewable Energy Development Project (608-0159);

Promotion of a more effective utilization of the private sector by ONAREP (608-0176);

Assessment of options for increased private-sector involvement (608-0180).

Coordination with IBRD loans, such as the Joint Venture Promotional Program, and Arthur D. Little Technical Assistance, Studies and Training.

Development/imposition of investment criteria for renewable-energy pilot projects (608-0159);

Support for uniform investment appraisal criteria and procedures (608-0180);

Emphasis on management and planning through training and technical assistance (608-0176).

4. PRIVATE SECTOR

A. Strategy Narrative

The Mission's private sector strategy has evolved rapidly since the FY 86 CDSS (prepared January 1984), at which time the basic approach was to pursue private sector initiatives within each of the Mission's three traditional sectors of activity (see matrix, p. 43, FY 86 CDSS). In mid-1984 the Mission decided to address private sector development through a sectoral strategy in its own right with the main objective being, as stated in the FY 86 ABS, the stimulation of new investment and increased production. By developing a coherent private sector initiative the Mission intends to contribute most effectively to improving Morocco's mid-term economic situation and to complement the program of the World Bank to liberalize the trade regime and reorient the Moroccan economy toward exportation.

This strategy is still the operative strategy, but with a marked emphasis on stimulation of the private manufacturing export sector as the key to Morocco's economic recovery. It is the strategy of this Mission to enhance the role of the private sector throughout the Moroccan economy, but our initial, intensive concentration will be on expanding private sector exports through technical assistance and training for export-producers and exporters, an improved export credit insurance program, and greater availability of credit to private exporters. In pursuing this strategy, several small projects have been initiated to accelerate delivery of technical assistance training and credit in advance of the planned comprehensive bilateral project in FY 1986. These include the IESC program, the S&T/RD (McBer) study of entrepreneurship, and the \$2.55 million loan/grant PRE to Wafabank. The FY 1986 ESF-Financed Export Promotion project will provide support and reinforcement to export-oriented private firms through the provisions of technical assistance, improved export insurance and credit. The relative economic incentives will turn away from "import-substitution" and toward producing for export. A special focus on problems of entry and competition in the North American market will characterize the effort. In addition to pursuing the "privatization" of export-insurance in the near term through this project, the Mission will continue its dialogue on privatization in other areas of the economy, (as noted in Section II A above) using the resources of the Economic Policy Analysis Support project (608-0191) to explore areas of mutual concern.

B. Current Strategy Objectives - Status and Milestones

OBJECTIVES

- o Assist private sector companies especially exporters.

STATUS AND MILESTONES

International Executive Service Corps program established.
Country Agreement signed following lengthy negotiations with GOM.
Volunteer executive on-the-job providing in-plant assistance.
(5 now in country.)
Summary: Partially achieved (ongoing).

- o Provide greater access to credit for small and medium-size enterprises.
Private Enterprise Bureau loan made to Wafa Bank for purpose of lending to small and medium-size enterprises in Dec '84. First disbursement made on schedule in March 1985.
Summary: Partially achieved (ongoing).
- o Assist in the development of a policy and institutional framework in Morocco which will stimulate new investment and increased production, particularly on the part of private enterprises and in sectors of the economy with the greatest potential for expanded exports.(FY86 ABS).
Bilateral Investment Treaty negotiated and to be signed during Joint Economic Commission meetings May 7-8. To become effective as a stimulus to investment, the treaty must be ratified and then publicized to the investment community.
ESF-funded Private Sector Export Promotion project (608-0189) approved for project development. For the export insurance component of the project, consultants have begun work. Design of other project components to proceed this summer. Obligation targetted for second quarter FY 86.
Summary: Work has just begun with respect to this objective. Major Actions will begin in FY 1986.

C. Strategy Objectives and Actions for FY 86 - 87

OBJECTIVES

- o Fully Staff Private Sector Office of USAID to implement the private sector program.
- o Improve ability of Moroccan exporters to develop new export markets.
- o Improve effectiveness and increase utilization of export credit insurance.

ACTIONS

- Two USDH Private Sector Officers on board 1st quarter FY 86. FSN or PSC recruited by 2nd quarter FY 86.
- Provide in-plant assistance for product adaptation and marketing strategy development. (IESC; and 608-0189, 2nd quarter, 86.)
- Provide training on Generalized System of Preferences, U.S. trade regulations, marketing strategy development. (1st quarter, 86.)
- Fund real reserves to increase confidence of clients in the ECI's guarantees. (2nd quarter, 86.)

Provide technical assistance to study means of improving ECI management; possible measures include utilizing private banks and insurance companies as agents and increasing private participation in the fund's ownership, both domestic and foreign companies. (continuing)

- o Increase credit availability to private enterprises with priority on private exporters

Expand Private Enterprise Bureau credit lines to additional private IFI's. 1st quarter, 86.)

Provide a line of credit for exporters to import intermediate goods and raw materials from the U.S. (2nd quarter 86.)

- o Improve management skills of Small Scale Moroccan entrepreneurs

Complete study of entrepreneurship (3rd quarter, 86).

Provide training and/or consulting services to small private entrepreneurs through the S&T/RD project and/or an OPG to CRS (4th quarter, 86).

D. Policy Dialogue Plan

1. Narrative

The private sector policy dialogue involves three specific policy areas: enhancing and enlarging the role of the private sector in the economy (including "privatization" in several possible forms), increasing the market orientation of GOM pricing policy and investment decisions, and improving the investment climate for private investors. The policy dialogue is reinforced by the commitment of the Mission's resources to activities which support the development of the private sector directly and which assist the GOM to improve the framework for increased private sector growth.

To increase the role of the private sector, the Mission will make additional resources (eg. credits technical/managerial assistance) available to the private sector and will seek to "privatize" the export credit insurance (ECI) fund. The Mission will also assist the GOM in carrying out other in-depth studies of potential privatization initiatives under the Economic Policy Analysis Support Project. With respect to increasing the economy's market orientation, the Mission will work through the latter project with the Price Control Directorate to make the case for decontrolling most prices and in setting more rational prices in industries (such as utilities) which must be regulated for good economic reasons.

Finally, the Mission has actively sought to improve the overall investment climate in Morocco, including co-sponsorship of seminars such as that recently held on Investment Incentives and Impediments in Morocco. These efforts will continue with closer attention to specific policy issues raised by the private sector as critical to further improving investor confidence.

2. Agenda

POLICY OBJECTIVES

- o Increase proportion of economic activity managed (and owned) by the private sector.

- o Increase market orientation of the economy

RESOURCES

- Project 608-0189
- PRE and TDP resources

- Studies/Analyses of privatization carried out under Project 608-0191

- Sectoral policy dialogue and resources in areas of regular program concentration.

- Project 608-191 assistance to Price Control Directorate to define areas for deregulation.

o Improve investment climate
in Morocco

- Projects in agriculture and energy sectors (esp. 608-0182, 608-0180, 608-0176).
- P.L. 480 Title I Self-Help Measures.
- Continuing dialogue with GOM authorities.
- Joint Economic Commission meeting.
- Ratification of bilateral Investment Treaty.

5. OTHER PROGRAMS

USAID/Morocco has deliberately attempted to maintain a concentrated focus in its project portfolio, and for the past several years has committed the vast majority of its resources to Agriculture, Population/Health and Energy Development. The Mission has recently added Private Sector Development to its portfolio. Nevertheless, the Mission has maintained over the past few years, and will continue to support, several other smaller programs which are viewed as high priorities by both the GOM and AID but which are outside these four "key sectors." These programs include Housing Guaranty, general participant training and experimental weather modification. The Mission is in the process of considering the future expansion of the housing programs now underway to encompass a broader approach to the growing problems of urban development in Morocco. This possibility is now being intensively studied through an Urban Development Assessment, in collaboration with the RHUDO/NE and PRE/H. The general participant training program has long been a mainstay of the AID program in Morocco and will continue to be so. Indeed, if the supply of qualified candidates for U.S. graduate level training in the future justifies it, the Mission will seek to expand the scale of this program. The initial, experimental effort in weather modification (Snowpack Augmentation; 608-0190) will continue at least through FY 1989, and may be reinforced by other activities addressing other related issues of water resource management.

HOUSING

A. Strategy Narrative

The strategy approach in the housing sector has been to develop effectively functioning programs within the Ministry of Housing and Regional Planning (MHAT) to provide upgrading and services to small/medium slum areas, and building limited low-cost core housing where appropriate. Simultaneously, institution-strengthening efforts have been carried out to increase MHAT's administrative and financial capabilities. Housing Guaranty loans are the primary financing resource for the infrastructure-related programs, while grants and contracts to appropriate PVO and firms have been utilized to provide technical assistance and training to MHAT. The principal intent of the Mission's shelter sector efforts has been to demonstrate the effectiveness of slum upgrading programs in existing settlements, and to reduce the emphasis usually out on the need for new shelter infrastructure. HG loans have supported only the construction of low cost core units that can meet the policy criteria of affordability, cost recovery and replicability.

B. Current Strategy Objectives - Status and Milestones

OBJECTIVES

Assist the GOM's Ministry of Housing (MHAT) to effectively implement slum upgrading programs, and to undertake new policy initiatives (FY 1986 ABS).

STATUS AND MILESTONES

- (a) Institutional Capacity - The MHAT has improved its capacity to administer upgrading programs by substantially decentralizing implementation authority and decision making responsibility to regional offices. It has also established a new semi-autonomous agency, the National Agency Against Sub-standard Housing (ANHI), to upgrade bidonville and clandestine housing areas.

- (b) Staffing - The MHAT has strengthened staff increasing the numbers of technical and administrative professionals, especially in the twelve regional offices. The senior staff has been substantially increased at both central and regional levels.
- (c) Training and Professional Development - The MHAT has established a training division, and on-the-job training in housing policy, upgrading and project management has been provided by AID funded resident advisors. Further, the GOM has established a new National School of Architecture, a National Institute for Urban and Regional Planning and Regional Training Schools for town planning and civil engineering/architecture.
- (d) Policy Development and Implementation - Decentralization has become a guiding principle for the MHAT. Progress at the policy level has also been made in the area of cost recovery, in part due to the establishment of a social housing fund which allows MHAT to reinvest funds recovered from housing projects.
- (e) Summary: Good progress made on this ongoing objective.

To analyze the phenomenon of increasing rural to urban migration and rapid urban growth in Morocco, in order to determine the feasibility and desirability of selected project-level interventions.

Urban Development Assessment financed and carried out. First draft returned to contractor for substantial revision and strengthening. Final version now undergoing review by Mission and RHUDO/NE.

Summary: Partially achieved (ongoing).

C. Strategy Objectives and Actions for FY 1986 - FY 1987

OBJECTIVES

ACTIONS

- To continue the development of objectives previously established but with a shift of emphasis from institutional development of MHAT to its implementation of policy

- (a) Monitor GOM financing of the HG-002 program to assure sufficient to meet the needs of subproject upgrading and core housing activities.

- To strengthen the GOM's ability to address the problem of clandestine urban settlement.

- (b) Monitor the institutional policy changes required by the HG-002 Program (e.g. cost recovery arrangements, land tenure regularization).
- (a) Amendment of HG-001 authorization to permit the Tetouan Upgrading Project to be designed and implemented.
- (b) Advise MHAT to direct its resources under HG-002 to implement GOM policy to respond to the growing demand for low-cost urban shelter with private sector participation.
- (c) Develop a DA grant funded pilot effort to strengthen the municipal finance capabilities of Tetouan, to complement the HG financed upgrading project.

D: Policy Dialogue Narrative and Plan

1. Narrative

The growth of "clandestine" (illegal but permanent) settlements has become the most important shelter issue in Morocco today. This phenomenon reflects, in part, upward mobility of bidonville residents, lack of fear of government bulldozing and the failure of the formal market to respond to low income shelter needs. Nearly every major city in Morocco has a clandestine housing problem. Between 25-50% of annual urban shelter production in Morocco is of this nature.

The GOM has responded to this situation by making the establishment of mixed (public/private) low cost shelter solutions a major tenet of its housing policy. This Plan recognizes that public resources are insufficient to impact significantly on shelter requirements unless the private sector assumes a major role in both finance and production. Therefore, in addition to the current public bidonville upgrading and core housing programs, which receive the bulk of budget resources, MHAT has launched a construction financing program (with IBRD support) that provides strong incentives to direct private sector building activities into the low and middle income market.

In the near term, and consistent with GOM requests, the housing program in Morocco will continue to focus efforts on demonstrating the effectiveness of slum upgrading and the low cost core housing unit production through HG-002. The implementation of this HG program requires the adoption of cost recovery mechanisms and encourages standards which assure the affordability of shelter and other infrastructure provided thereunder. The amended HG-001 will reinforce these fundamental policy objectives, as noted below. In addition, the program will assist the MHAT to develop rational and realistic long-term shelter policies that take into full account the near-total lack of public investment resources. This effort has already led to considerable study of low-cost shelter financing alternatives, including approaches mixing public and private resources. This policy effort to increase private sector participation will be greatly expanded through undertaking a new HG financed effort to deal with the problem of clandestine housing in Tetouan.

2. Policy Dialogue Plan

POLICY OBJECTIVES

Institutional Development

- To develop the GOM's ability to implement and replicate programs to prevent growth of clandestine settlements in collaboration with private investors.

RESOURCES

- HG-001 amended to finance the Tetouan Upgrading Project
- Pilot DA financed initiative in municipal finance in Tetouan (TA, training)

Cost Recovery & Affordability

- To encourage GOM to finance (and co-finance) housing and urban development projects which reflect standards affordable to the urban poor.
 - To develop and institute cost recovery mechanisms for urban housing and infrastructure, and to improve municipal tax collection as part of cost recovery.
- HG-001 and HG-002
 - DA financed assistance
 - Advisory assistance by RHUDO officers TDY experts

PARTICIPANT TRAINING

A. Strategy Narrative

Participant training of Moroccans in the U.S. in disciplines of relevance to the country's economic and social development is not only important to the AID program in Morocco but constitutes a key element of the political and cultural relationship of the two countries. The program remains a high priority, and may increase in magnitude as ways are determined to overcome existing constraints to providing more high level training of Moroccans in the U.S. Such training has proven to have an important reinforcing effect upon the Mission's institutional development and technology transfer efforts in the key sectors and in cross sectoral areas such as project planning, policy analysis, public finance, management, etc. In addition, the ability of the Mission to be responsive to requests for high level training (both long and short-term) has served as an important entrée to further involvement with key agencies and officials at the policy level.

B. Current Strategy Objective - Status and Milestones

OBJECTIVES

Upgrade the managerial, analytical and technical expertise of Moroccans in the public and private sectors. (FY 1986 ABS.)

STATUS AND MILESTONES

Fifteen long term academic candidates and 41 short term training candidates were selected and entered training programs in the U.S. since January 1984 under the Sector Support Training Project. Four of the long term candidates are women; two of the 15 are carrying out Ph.D level studies. Mid-course evaluation addressed difficulties in finding enough adequately qualified candidates for long-term training in areas of high priority.

In addition to participant training in the U.S., support to the GOM in upgrading project staff in project analysis, management and evaluation has been provided to the Ministry of Interior through the in-country training component. A similar, larger effort addressing other sectors, will be carried out with the Ministry of Plan (PNAP).

Summary: Partially achieved (ongoing).

C. Strategy Objective and Actions for FY 86-87

OBJECTIVES

Upgrade the managerial, analytical and technical expertise of Moroccans in the public and private sectors. (FY 1986 ABS).

ACTIONS

- (a) Strengthen implementation of the general training project, and of training components of technical projects, to increase the number of long-term participants sponsored for U.S. training.
- (b) Amend Sector Support Training (608-0178) to expand coverage and increase funding levels.
- (c) Expand the capability of the Sector Support Project and of new projects (eg. 608-0191) to provide in-country training in areas of specific concern to AID, including project appraisal, design and management, policy analysis and formulation, "privatization" strategies, etc.

D. Policy Dialogue Narrative and Plan

1. Narrative

Policy considerations for participant training of Moroccans in the U.S. exist at several levels, including some normally considered outside of AID's role. Important political and cultural objectives are served through such training; this has been confirmed both by surveys of former AID-financed participants and by the direct experience of U.S. officials with such persons in Morocco. From the USAID perspective, the training provided through of its technical projects is intended to address specific manpower needs. Participant training of this nature is a critical element of the Agency's overall development strategy to focus resources on institutional development, technology transfer and research. It currently constitutes a very significant part of the USAID/Morocco program. However, the Mission's general participant training project is intended to go beyond these two "pillars" of the Agency's strategy to address a particular need in Morocco for advanced training in certain areas where the educational system, influenced substantially by French tradition, has proven weak. These include economic analysis, investment project, design and evaluation, modern business methods, public and private management, etc. Morocco's strengths in the professional realm has been in the development of technical manpower, especially engineers and architects. Most high level officials in the "development ministries" have these backgrounds. Therefore, a principal long-term policy objective of USAID training programs is to redress this imbalance, and to strengthen capabilities in the economic, public investment and policy analysis areas. It is important to note, in addition, that this imbalance is recognized at the highest levels of the GOM, and that the strengthening of training in these areas has become a primary GOM objective within the context of the current structural adjustment program. The Ministry of Plan is sponsoring, inter alia, a government-wide national program of training in Project Analysis and Management (PNAP)... assisted by the IBRD, UNDP and (more recently) USAID.

2. Agenda

POLICY OBJECTIVES

To increase use of modern project and policy planning, investment appraisal, economic analysis and management techniques in key GOM agencies.

To increase the coordination of training programs amongst GOM ministries and agencies to standardize techniques, raise competency levels and increase use of American methods.

To increase knowledge and use of English language (and English materials) in key technical, commercial and developmental disciplines.

RESOURCES

- Sector Support Training Project (608-0178).
- Economic Policy Analysis Support Project (608-0191)
- Technical Projects
- Centrally-funded Training Activities
- Supplemental funding to other donors training activities (eg. IBRD, UNDP).

III. NEW PROJECT DESCRIPTIONS

A. Agricultural Management and Productivity (FY 1986)

Project Number: 608-0185
Project Title: Agricultural Management and Productivity
Proposed FY 85 Funding: - 0 -
Proposed FY 86 Funding: \$2,000,000
Life of Project Funding: \$10,000,000
Appropriation Account: Agriculture, Rural Development and Nutrition (ARDN)

Development Problem

The purpose of the Agricultural Management and Productivity project is to stimulate increased productivity of Morocco's agriculture by improving the management of semi-public and private sector agricultural institutions. The budget crisis, foreign exchange shortages, institutional weaknesses, and the continuing drought faced by Morocco require a new approach to increasing output of the agricultural sector. The Ministry of Agriculture and Agrarian Reform (MARA) has limited investment resources and inadequate capability to effectively absorb or manage additional donor financed projects. Semi-public and private sector alternatives must be developed to stimulate increased output for domestic consumption and export.

Relationship to AID Policy

The proposed project incorporates AID's fundamental development strategy priorities (the four pillars). It will involve strengthening the capacity of semi-public and private agricultural institutions to develop appropriate crop production technologies and transfer them to farmers. The proposed project will also increase the role of the private sector in agricultural development and will examine the need for agricultural policy reforms relating to pricing of inputs and farm products.

Project Components

This project will involve assistance to selected ORMVAs (Offices Regionaux des Mise en Valeurs Agricoles). ORMVAs are the regional agricultural production offices which have traditionally managed the major irrigation perimeters of Morocco. Though their primary responsibility is for the management of the irrigation network, the ORMVAs have also been responsible for substantial areas of rainfed land within their boundaries. The decentralized management and budgetary authority of ORMVAs, their well-trained staffs, and generally greater resource levels, have enabled them to serve farmers more effectively than the public-sector Provincial Agricultural Development Offices (DPAs), which are subdivisions of MARA responsible for non-irrigated areas.

In April 1985, the authority of a number of the major ORMVAs was considerably expanded to incorporate surrounding rainfed areas not previously within ORMVA boundaries. By transferring responsibility from DPAs to ORMVAs, This reform could represent a significant improvement in agricultural extension and service delivery to small- and medium-scale farmers in Morocco. The present project is intended to assist selected ORMVAs to, among other things, strengthen their administrative and technical competence to provide

services to farmers within their expanded jurisdictions, particularly with respect to rainfed agricultural production. In addition, an attempt will be made to put ORMVAs on a more fully private-sector footing by implementing a "program performance contract" system that will ensure that the costs of ORMVA operations are covered by revenues from user fees and other cost recovery mechanisms. The transfer of certain ORMVA activities to the private sector is also planned. USAID has been monitoring the progress of this institutional restructuring and should receive from the GOM within the next two months a report, required under the 1984 PL-480 Agreement, on its effect on agricultural extension activities in rainfed agricultural areas.

The proposed project would provide assistance to selected ORMVAs to help them: (a) more efficiently manage the existing resources, especially water, within the irrigation command zones. Improved crop selection policies and procedures, cost-effective water management practices, and more economically rational pricing will be sought; (b) develop a system to effectively manage the development of dryland agriculture around the irrigation command zones, especially in terms of providing extension services to these areas; and (c) transfer to the private sector, where appropriate, functions currently being carried out by the ORMVAs.

The proposed project will be fully integrated into current Mission-funded efforts. USAID's agricultural credit project (0184) involves strengthening the capacity of the National Agricultural Credit Bank to provide credit to agribusinesses. Further consideration is being given by the Mission to expanding CNCA resources for agribusiness lending in ORMVA regions through future ESF allocations. The Applied Agricultural Research Project (0136) is in the process of developing the agricultural technology needed for rainfed agriculture. New rainfed technological packages will be critical for successful extension efforts by the ORMVAs within their expanded areas of jurisdiction. Through the Planning, Economics, and Statistics Project (0182), the PL 480 self-help measures, and coordination with the World Bank, USAID has encouraged additional pricing and other policy reforms needed to improve the effectiveness of both rainfed and irrigated agriculture.

The World Bank is considering extending a substantial loan to Morocco aimed at irrigation rehabilitation, improving the efficiency of the ORMVAs, and increased privatization of ORMVA activities. It will be essential for USAID to coordinate its efforts with those of the World Bank, either through a cofinancing agreement or, more likely, through parallel funding of complementary activities. Further discussions with the GOM and the World Bank will be necessary to more explicitly specify the mechanisms by which this coordination will be carried out.

Resource Requirements for Design and Implementation

A preliminary estimate of the LOP funding for the proposed project is \$10,000,000 over a six year period, with an FY 86 obligation of \$2,000,000. This amount will finance technical assistance, short-term and in-country training, and the procurement of selected commodities. The Mission will utilize FY 85 PD&S funds to complete the design of the project. The Mission's staff is capable of designing and monitoring this new project. However, short-term technical assistance in selected disciplines will be needed for the design.

B. FY 1987 ESF

The plans of USAID/Morocco for utilization of ESF resources encompass several important strategic objectives in Morocco. As described in the FY 1986 CDSS, the need for near-term economic assistance to Morocco is critical, not just from the vantage points of political, social and fiscal stabilization, but also to establish a basis for sustainable economic development and maintain the momentum of current economic reform efforts. The GOM has committed itself to (and to date has kept its commitments) to a far reaching program of structural adjustment, which cannot be achieved without such near-term assistance. If these efforts at adjustment are unsuccessful in the near to mid-term, the prospects for further sustainable development are bleak. Therefore, the Mission has adopted a "two-track" assistance effort to combine near term production-oriented efforts with projects to address institutional and technical constraints to longer term economic development. The Mission views its ESF resources as a key element of both "tracks", and has utilized ESF to date through a mixture of project level and program level mechanisms intended to maximize its developmental impact. In FY 1985, the Morocco ESF allocation was "projectized" to provide critically needed agricultural credit in drought-stricken regions, along with technical assistance to strengthen the administration of such programs. The FY 1986 ESF allocation has been committed to a multi-faceted program to support the development of Morocco's private sector, with the large majority of resources provided to stimulate export growth through increased bank credit to exporters and reform of the GOM's export credit insurance system. In both years, a substantial balance of payments support objective is attained through the use of fast-disbursing dollar loans, the dirham counterpart of which is used to finance developmental objectives. These are combined with smaller grant-funded components to finance the technical assistance necessary to assure that related developmental constraints are adequately addressed. A similar approach will be utilized in FY 1987.

The following is a listing of four possible uses for ESF in FY 1987 which have come under consideration within the Mission to date. Each of these alternatives will be developed further over the coming year to determine their respective costs, and relative economic and development benefits. A more definite plan for the FY 1987 funding will be provided in the Mission's FY 1987 Congressional Presentation, by which time the directions of the new government and of the forthcoming mid-term plan will be more evident. Moreover, by then we should also have a more clear sense of the ESF amounts that can reasonably be expected for Morocco in FY 1987, and the flexibility possible under OE budgets and staffing patterns, since these staffing implications of different options may vary significantly.

1. Private Sector Export Promotion (608-0189): In the process of developing the components of the FY 1986 private sector initiative, the Mission has been encouraged by AID/W to explore the possibilities for multi-year ESF funding of this highly important initiative. Moreover, recent reductions from the original FY 1986 ESF planning levels (with even further reductions by Congress a possibility), have resulted in a reduced scope of the project for FY 1986 and therefore militate serious consideration of the use of FY 1987 ESF to reinforce the private sector initiatives to be undertaken in the previous year. This is, at present, the most likely use for at least a substantial portion of ESF levels finally allocated for FY 1987. However, decisions in this respect depend not only upon the levels approved for FY

1987, but upon experience with the major components of the Private Sector Project. Two principal uses are possible through funding this project on a multi-year basis: (1) expansion of a production (import) credit program; and (2) expansion of a pre-export financing credit program. Both uses would be implemented through the Moroccan banking system to the benefit of Moroccan exporters.

2. Agribusiness Credit Program with CNCA: This option would mark a return to the Caisse Nationale de Credit Agricole (CNCA), the agricultural credit bank serving as implementor of the FY 1985 ESF project (Drought Recovery Credit; 608-0184), for a new ESF-funded program to stimulate private Moroccan agribusiness. Grant ESF funds have been included in the FY 1985 ESF project with CNCA long and short-term technical assistance, including the development of agribusiness lending operations. An FY 1987 ESF project with CNCA could also be linked to efforts made through the FY 1986 DA-financed Agricultural Management and Productivity Project (608-0185) to "privatize" certain functions now carried out by the ORMVAS and to establish "forward linkages" to food processing industries located in or near their principal market centers. Loan funds would be used to significantly expand CNCA's agribusiness credit fund, and a portion of the ESF funding could be in grant form to strengthen CNCA's supervision of its agribusiness lending program. Experience to date indicates that CNCA provides a sound institutional mechanism through which USAID could reinforce GOM efforts to "privatize" the agriculture sector.

3. Urban Development/Municipal Finance: A third concept under consideration for possible use of ESF to meet a key developmental need through a rapidly disbursing mechanism is the financing of urban development investment projects in one (or more) population centers. This option would require substantial further study and development, but has been recommended by the Urban Development Assessment (UDA) team as a primary component to a USAID program to assist the GOM in formulating and implementing a realistic "growth center" strategy for the future. A significant balance of payments benefit would be achieved through a dollar loan to the GOM, to be re-lent to the national municipal development fund (Fond d'Equipement Communal or FEC) for subloans to qualifying municipal governments according to specific investment criteria. Such a program would also entail a major effort to strengthen elements of municipal finance and cost recovery systems, and would leverage increased private sector investment in low and middle income shelter construction through mixed public/private urban perimeter development mechanisms. A decision to utilize ESF funds in this fashion would, of course, reflect the intention of the Mission to expand beyond its current HG portfolio into urban development as a new sector in its country development strategy, a commitment which is only now in the early stages of consideration.

4. Water Resources Management: A fourth option now being discussed in the Mission as a possible area for future project development and possible ESF funding is water resources management. Five consecutive years of drought in Morocco, ranging from serious to severe, have created a new consciousness of the vulnerability of the nation's water supply and concern about the country's and government's ability to cope with drought (now a historically recurring phenomenon). Current mechanisms for formulating and implementing a national water resource policy are non-functioning. USAID has been involved in several aspects of the problem associated with water resource policy, including

rainfed agriculture production efforts, energy investment analysis and planning, and an experimental weather modification initiative (Snowpack Augmentation; 608-0190). We are now collaborating with the UNDP, Hassan II Institute, and a private American Consultant to the King in an effort to highlight the need for a national water-use strategy. A high level conference on the subject is planned for. Additional study of needs and problems in this area remain to be carried out over the coming year, and further consideration will be given to possible ESF uses in this area for FY 1987.

IV. P.L. 480 NARRATIVE

The trend of the annual food grain deficits of Morocco since 1980 has been upward, and all indications are that such deficits will continue to grow in the foreseeable future. Continuing drought conditions for the current (1985) harvest have significantly lowered domestic food grain production estimates. This may require a foreign exchange outlay of up to a half a billion dollars, an expenditure that will severely squeeze Morocco's current foreign exchange earnings capability. Cereals have become the second largest item in Morocco's annual imports (to petroleum), with wheat being foremost among these. This situation has made the continuing availability of PL 480, Title I grains critically important, particularly given the favorable sales terms available in the midst of the GOM's enormous debt servicing requirements.

The severity and duration of drought conditions in the principal rainfed grain producing areas of Morocco have given rise to: (a) renewed emphasis on meaningful long-range policy measures incorporated in the Self-Help Measures of PL 480, Title I Agreements, and (b) the allocation of local currency proceeds to activities in the agriculture sector holding greatest promise of near-term production in the rainfed sector. A joint GOM-USAID PL 480, Title I Committee has been established to meet regularly to assure the rational planning of this integrated program resource, and the monitoring of the policy measures and development activities it supports. Projected levels of PL 480 Title I must remain at current levels or higher, within the context of present economic conditions. These conditions, coupled with continuing drought, provide the economic justification for such levels. Additional policy measures and program activities initiated and sustained in the annual negotiations of these PL 480, Title I Agreements provide the programmatic justification.

A. P.L. 480, TITLE I NARRATIVE

This resource has over the last several years become a fully integrated component within the U.S. assistance program to Morocco. Its importance is acknowledged by ranking policy makers within the GOM, and its continuation viewed as essential in meeting annual consumption requirements in cereals. This level of importance within the GOM has resulted in a willingness to deal with this resource in a rational and methodical fashion, and to accept, consider or negotiate meaningful policy or program or Self-Help Measures which advance GOM assistance to the agricultural sector.

The established collaborative modus operandi derives from the past four years of the growth of Title I within the context of an enduring drought. The difficulties experienced in agricultural production have added to the seriousness with which Self-Help Measures are negotiated, monitored and reviewed. This atmosphere has allowed these measures to be correlated with and supportive of USAID's technical assistance efforts in agriculture, and to reinforce larger policy issues undertaken by the IBRD in the agricultural sector. The negotiation of Self-Help Measures has become a progressive exercise intended to assure complementarity between the 1985 PL 480, Title I Agreement, the major objectives described in the USAID Action Plan for Agriculture, and the IBRD sector loan. This has encouraged the Bank to work with us in the coordination of our respective plans and programs in agriculture, which in turn has provided the basis for joint policy initiatives or reinforcement.

Each year the local currency requirements of this Mission's projects are scrutinized with a view to the programming of proceeds from the annual PL 480, Title I Agreement. Such programming provides assurance that dirham expenditures required by USAID projects will be provided within the GOM's Development Budget. This permits continued GOM support to projects and relative immunity of the projects from subsequent budgetary reduction exercises which have characterized the GOM's budget during the past three years. The same form of "disbursement insurance" is provided to line items within the Agricultural Development Budget in which the USAID has no project but views as an essential activity the sector. This category includes the GOM's reforestation efforts; production and distribution of seed stocks to farmers; and selected agricultural extension and training activities.

An additional important complementarity was recently established between the 1985 PL 480, Title I Sales Agreement and the initiation of a progressive phase-down of the current level of PL 480, Title II commodity assistance. Starting in FY 1986, a portion of the proceeds generated from Title I sales will be used to purchase foodstuffs on domestic market to offset the first of a series of gradual annual reductions in the Title II program. The GOM's agreement in principle to such usage of local currency proceeds has facilitated acceptance and enactment of the initial implementation steps in the phase-over of the Title II program.

B. P.L. 480, Title II Narrative

USAID has continued plans described in the FY 85 and FY 86 ABS to carry out AID/W policy guidance with respect to phase-out of current Title II food activities. For three years, neither CRS nor the GOM have been prepared to publicly acknowledge, much less aid in planning for, such an eventuality.

Catholic Relief Services, although accepting the idea of an eventual phase-out of Title II assistance and indeed trying to communicate that fact to the GOM, has objected vigorously to the MCH phase-out schedule and has proposed a straightlining of 1985 levels of that program through FY 1988 with an accompanying large technical assistance grant to upgrade distribution centers and MCH monitrice training. USAID has advised CRS that it finds straightlining of assistance levels unrealistic. Furthermore, given overall weaknesses in administration and planning capabilities of the counterpart institution, Entraide Nationale (EN), USAID believes any technical assistance should be focused on those areas and in planning of the phase-over. Such assistance has been offered to the GOM during USAID's continuing discussions on the phase-over.

The GOM's opposition to a phase-out of FFW and OCF feeding has been consistently strong given: the difficulties of identifying alternative sources of food or monetary assistance to these groups; the precarious economic situation the beneficiaries face; continuing drought conditions, and the potential social disruption a cessation of food supplements could engender. In the last six months, while negotiations have gone on for a new coalition government, it has been particularly difficult for any senior GOM official to indicate acceptance of a phase-down in such assistance.

In the absence of any progress in working out a sensible, least-painful program by which the GOM might displace Title II with their own resources (albeit, perhaps, at a different level), the Mission advised the Government

last year that we felt compelled to institute a unilateral program of Title II withdrawal. A three year program of reduction, starting with a substantial cut in FY 86 (from \$8.9 to \$4.9 million, and including their entire FFW and OCF programs), was described in the Mission's FY 1986 ABS. Periodic meetings involving different Ministers have been held over the intervening months in an effort to resolve the problem.

As of the time of this writing, we may be on the point of a breakthrough. Based on discussions this spring with NE and FVA senior staff, the USAID has informally indicated to GOM officials that a reconsideration of the fairly radical cut-backs for FY 86, as well as the current overall timetable for withdrawal, might be reconsidered if they were prepared to pursue what was clearly in our common interest: a joint action plan. This suggestion has been dovetailed with the negotiations to reach final agreement on Title I for this year, and we have used the latter negotiations to reiterate our willingness to agree to the allocation of Title I local currency proceeds through the appropriate Ministry to displace a substantially smaller than currently programmed reduction in Title II for the next year. The next weeks will see whether the GOM is prepared to cross the symbolic threshold of formally acknowledging the process of withdrawal and commencing to develop together a plan for progressive annual reductions in the current program.

Despite the above situation, USAID has continued to work with CRS and EN to increase the nutritional impact of the MCH program. New revised entry and graduation criteria for participation in the MCH program are being enforced with substantial improvements in this area as noted in an extensive CRS evaluation of the MCH centers completed in September 1984. CRS has attempted to strengthen its monitoring of the program through augmentation of its local staff. Furthermore, in response to USAID pressures, CRS has intensified its control procedures both at the port and in the regions and has stimulated similar GOM action. USAID monitoring of the program is similarly increasing. The FFP officer, as well as other staff, will make at least one visit to one-half of the participating provinces in each of the next two years in coordination with CRS and EN personnel with additional visits made as warranted. In addition, despite strategic differences with CRS regarding the phase-over, USAID enjoys close working relations with the CRS/Morocco organization and is in contact with its staff on at least a weekly basis.

V. EVALUATION

Program Level: At the level of the overall program a number of considerations guide this Mission's selection of activities to be evaluated as well as the schedule for their implementation. Perhaps the principal determining factor is whether or not major funding (e.g., PACD extension; contract renewal) or policy issues are anticipated in the near future. Clearly related to this is the level of the Mission's overall confidence level in any given project; that is, as a result of the Mission's monitoring system, whether (a) we either feel unsure of our knowledge-base about what is really happening, or (b) we feel sure of our information, but believe there are serious conceptual or implementation problems. In both cases evaluations have demonstrated their use in highlighting strengths and weaknesses and in illuminating options. In this regard we would note that at this particular moment, the Mission believes it fundamentally understands its project implementation problems, and has thought through the means for coping with them. Several factors account for this including; continuity in staffing, concentration of the portfolio, intensive evaluations that have taken place over the last two years, and thorough treatment of each project in our semi-annual portfolio reviews.

At the program level two evaluations innovations now under consideration also bear mentioning; both involve possible evaluations that would cut across project lines. The first is an assessment of the use actually being made of the numerous mini and micro computers received by Moroccan institutions through the AID program in recent years. The second innovation would be an evaluation of the extent to which sectoral objectives (specifically including sectoral policy agenda objectives) have been, and/or give promise of being, achieved. There are a number of formidable conceptual and methodological issues to be addressed before we decide to undertake such "sectoral" evaluations, but if we are finally convinced that the effort is both useful and feasible we will proceed in the next year with a pilot effort in Agriculture.

We feel confident that previous evaluation efforts have not only changed the course of individual projects, but have modified the Mission's overall development program and strategy. One clear example is to be found in the evaluation results of the predecessor regionally-funded energy projects, namely, Conventional Energy Technical Assistance (936-5724) and Energy Management and Conservation Project (936-5728). As a result of the findings and conclusions of the evaluations done on these two pilot efforts, the Mission made the decision to adopt energy development as one of its key sectors. Taking into account the lessons learned from the foregoing centrally-funded projects, the Mission designed and has begun to implement the Conventional Energy Management and Training (608-0176) and Energy Planning Assistance (608-0180) projects. Combined with the Renewable Energy Development Project (608-0159), these effort now constitute sector-wide involvement, also potentially capable of being evaluated at the program level.

PROJECT LEVEL: The in-depth Mission Portfolio Status Reviews conducted on a semi-annual basis (mini-reviews are held after the first and third quarters) with AID/Washington participation provide an ample forum for analyzing the achievements and problems encountered in project implementation, relating these findings to the project's purpose and implementation plan, and assessing the probability of achieving the project's purpose (p. 2, NEB Evaluation

Guidelines). At the same time, however, there are often project-specific issues that can be addressed adequately only in a full project evaluation. Projects to be individually evaluated in FY 1986 and/or 1987 include the following:

1) As a result of a second quarter FY 1984 evaluation, the Range Management Improvement Project (608-0145), which was facing serious implementation problems and not meeting its overall objectives, was substantially redesigned with a broader focus on range management research and extension, with increased attention to the institution-building of the Direction de l'Elevage. This project is now appears on track, and in order to determine the advisability of a possible follow-on project (the PACD is August 1986), the Mission plans to conduct an full evaluation of the project in the second quarter FY 1986.

2) The Renewable Energy Development Project (608-0159) has suffered delays as a result of the Government of Morocco's difficulty in providing capital investment funds in a timely fashion during this period of austerity, and certain design delays in the pilot demonstration projects. An evaluation is scheduled in the third quarter FY 1985 to determine the extent to which the project objectives are being met now and will be fully met within the planned life of the project (the PACD is September 1986), and to recommend ways for the project to respond to the current reassessment of AID's Renewable Energy Policy. Given the delays in project implementation, however, it is anticipated that a one year extension will be required, determination for which will be made by an intensive evaluation early in the third quarter FY 1986.

3) Due to the highly technical and scientific nature of the Winter Snowpack Augmentation Project (608-0190), three in-depth external evaluations were planned through the life of the project (April 1985, September 1986, and September 1988). Further, relevant aspects of this project will also be examined within the context of both the agriculture and energy program-level evaluations.

HOST COUNTRY INVOLVEMENT: The Mission supports the Near East Bureau's continued emphasis on collaborative evaluation. A review of our past evaluations in the three major sectors show that GOM counterparts have been heavily involved in planning for, assisting in, and reviewing the project evaluations. We intend to continue in this fashion during the planning period, although we note that there are some occasions when full collaboration may tend to dilute the sharpness of findings, as well as the range of options and recommendations which are presented for consideration. When circumstances dictate the need, the Mission may undertake evaluations which do not include GOM participants in every element of the evaluation process.

Under the Sector Support Training Project (608-0178), USAID is supporting GOM initiatives and providing the training of Government cadres in project design, analysis, management, and evaluation. A first effort in this area was an AID-sponsored in-country training program for Ministry of Interior officials responsible for designing, monitoring, and evaluating development projects at the local level. As a result of the successful outcome of this first effort, USAID has agreed to assist the Ministry of Plan in providing over the next few months a more in-depth version of this type of project analysis training to GOM officials in several sectors, including public works and agriculture.

Several of our projects (including Family Planning, 0171; Energy Planning, 0180; Agriculture Planning and Statistics, 0182; and Economic Policy Analysis Support, 0191) have as a specific task the further development of Host Country project/policy evaluation capabilities. In the agriculture, population/health, and energy sectors, technical assistance in data collection and analysis is being provided to specific planning/monitoring units of the ministries responsible for project review. The mission expects this kind of assistance to increase in the future.

VI. WORK FORCE ISSUES

Tentative workforce allocations for fiscal years 1985 and 1986 will test the USAID staff's ability to adequately manage its existing program while simultaneously developing and undertaking a significant number of new projects, studies and strategies. In the last three years, USAID/Rabat has experienced a significant increase in both the overall levels of annual funding for Morocco and in the variety of financing instruments (e.g., DA, P.L. 480, Titles I and II, ESF, HG, PRE; centrally-funded projects, etc.). These increases in activity, however, have been accompanied by only a modest increase in personnel. Notwithstanding this changing ratio of workload-to-employee, and in recognition of the overall personnel limits within which the Agency is now constrained to operate, we are prepared to try to live within the 1985-1986 ceilings recently provided, with the following two notations:

(1) We seek immediate relief from the reduction of two FSN positions recently imposed by AID/W, apparently without full consideration of the impact of deleting positions temporarily vacated by a mandatory FSN retirement and the unexpected loss of a staff member to another U.S. agency. This cut has severely hampered recruitment for the highest FSN position at post, USAID's chief accountant (who has supervisory responsibilities and thus cannot be a PSC), and has created an unnecessary strain on an otherwise exemplary JAO/AID relationship.

(2) We call attention to the fact that Chief of Mission approval of a second RHUDO/USDH position in FY 1986 has not yet been requested or granted. The justification for such a position presumably rests on Washington judgments regarding the disposition of RHUDO staff throughout the Region, and/or whether or not this Mission determines to proceed to undertake a significant intervention in Urban Development sector.

Further with respect to FY 1986 we note that it is the availability of individuals with specific requisite skills rather than the number of overall positions that is causing the crimp in Mission programming activities at this time. More specifically, our efforts to pursue design of a project with the private sector which would utilize FY 1986 and FY 1987 ESF funds have been frustrated by the apparent inability of "the system" to identify an appropriate Agency candidate to provide leadership to our extensive efforts in this sector.

By FY 1987, we believe the pressures of managing an expanded portfolio will have reached their limit and will necessitate modest increases in staffing. We are thus recommending the establishment of two additional FSN positions, one in the newly created Private Sector Office, and one position to permit the transfer from State to AID of the last FSN direct hire employee on Embassy rolls who works exclusively for the USAID Mission. In addition, we are confident that, despite the care we will take to avoid partition of the \$22.5 million of ESF expected in FY 1987 into several management intensive activities, we will need at least one additional USDH to manage the extra responsibilities which such activities will require (see Section III B).

The proposed position levels for FYs 85-87 and operating expense numbers received from the Bureau for FYs 85 & 86 are as follows:

FISCAL YEAR	85 AY	86 OY	87 BY
USDH (USAID/RABAT)	21	21	22
FSN	20*	20*	22
USDH (Regional)	2	2	2
IDI	2	2	1
USDH - RHUDO	1	1 or 2	1 or 2
USDH - (Part time wrk yrs)	1	1	1

*Assumes re-instatement from 18 back to 20

VII. TABLES

A. SUMMARY PROGRAM TABLE (\$000)

<u>Categories (DA)</u>	<u>FY 85 OYB</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 85-87 TOTAL</u>
AKDN	9,975	11,800	11,099	32,874
POP	3,650	3,200	4,000	10,850
HE	500	-	-	500
EHR	1,800	1,000	901	3,701
SDA	3,420	3,000	4,000	10,420
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Total DA	19,345	19,000	20,000	58,345
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Total ESF	15,000	22,500	40,000	60,000
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PL 480 Title I	45,000	40,000	40,000	125,000
PL 480 Title II	8,900	4,900	3,800	17,600
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TOTAL PL 480	53,900	44,900	43,800	142,600
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TOTAL USG ASSISTANCE	88,245	86,400	86,300	260,945
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B. FY 1987 PROPOSED PROGRAM RANKING (TABLE V)

TABLE V - FY 1987 PROPOSED PROGRAM RANKING				COUNTRY/OFFICE: MOROCCO		
PROGRAM ACTIVITY				PROGRAM FUNDING		
RANK	DESCRIPTION	ONGOING NEW	LOAN GRANT	APPR ACCT	(\$000)	
					INCR	CUM
1	608-0171 Family Planning Support III	0	G	PN	4,000	4,000
2	608-PL01 PL-480 Title 1	0	L	P1	(40,000)	4,000
3	608-0189 Private Sector Export Promotion <u>1/</u>	0	L	ESF	40,000	44,000
4	608-0136 Dryland Agriculture Applied Research	0	G	ARDN	3,247	47,247
5	608-0160 Agronomic Institute	0	G	ARDN	3,000	50,247
6	608-0191 Economic Policy Analysis	0	G	SDA	2,000	52,247
7	608-0178 Sector Support Training	0	G	ZH	901	53,148
8	608-0180 Energy Planning Assistance	0	G	SDA	500	52,648
9	608-0182 Agriculture Planning and Statistics	0	G	ARDN	2,000	55,648
10	608-0185 Agricultural Management and Productivity	0	G	ARDN	2,000	57,648
11	608-0159 Renewable Energy Development <u>2/</u>	0	G	ARDN	852	58,500
12	608-0188 Urban Development Management & Finance <u>3/</u>	N	G	SDA	1,450	59,950
13	608-0181 Peace Corps Small Project Support Fund	0	G	SDA	50	60,000
14	608-PL02 PL-480 Title II CRS	0	G	P2	(3,730)	60,000
15	608-PL02 PL-480 Title II AJDC	0	G	P2	(70)	60,000
TOTAL					60,000	

See footnotes on following page

1/ This use of Morocco's FY 1987 ESF allocation is tentative, and depends on the success of and need for additional financing in components of the initial Private Sector project utilizing FY 1986 ESF.

2/ The current PACD for this project is 9/30/86. The obligation listed here will require a Mission determination that this PACD should be extended for one year. The project is being evaluated in June, 1985.

3/ This project is tentative; no New Project Description has been submitted, and no decision has yet been made to move forward to the design phase. Such a decision rests largely on the outcome of the Urban Assessment review now in process.

USAID / MOROCCO : ANNUAL ACTION PLAN,

FYS 1986-87

MOROCCO

ACTION PLAN

PD-ABB-435

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