

**Addendum**  
**to the**  
**USAID/Morocco Country Strategic Plan (1999-2005)**

January 2000



**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MOROCCO**

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**JAN 18 2000**

**Mr. Robert Randolph**  
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Washington, D.C. 20523-4900

Dear Mr. Randolph,

The pace of socio-economic reform in Morocco has accelerated since the ascension to the throne of King Mohammed VI in July 1999. The agenda set by the King as well as the Prime Minister and his Ministers, reads like our Country Strategic Plan (CSP), which you approved in May 1999. The U.S. Government has a unique opportunity to work with enthusiastic partners to contribute to the democratic and socio-economic reforms in Morocco, reforms that will have a much broader impact within the Muslim and Arab world.

It is within this context that I am pleased to hereby submit a three-part addendum to our CSP for Washington's review and approval. Two elements were requested during our initial review:

- The Economic Growth Strategic Objective is clarified, detailing specific activities focused on key areas of structural and institutional reform. The proposal is presented in two forms -- a strategic summary and a more detailed implementation plan.
- The innovative Crosscutting Themes element of our strategy now has specific activities proposed that will clearly provide significant value added to our overall strategy. These activities are focused on gender and public/private partnerships in the context of our regional focus on the Souss-Massa-Draa.

The third element -- a proposed Special Objective for Democracy/Governance -- is proposed, given the dramatic new opportunities for democratic reform espoused by the new King. The United States can and should play a role in encouraging Morocco's initiative in this important area.

This CSP Addendum and the activities proposed herein recognize the resource limitations under which USAID is working. At the same time, we believe that the proposed activities will not only contribute to Morocco's development, but that they can also have an impact well beyond the borders of Morocco. And, in the case of the Crosscutting Themes, we believe we may be creating a viable alternative for USAID to address such key issues as gender.

I look forward to participating in the review and appreciate your continued support.

Sincerely,  
  
James Bednar  
Director

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## Attachments

1. Country Strategic Plan Approval Cable
2. Crosscutting Themes Performance Monitoring Plan (PMP)
3. Detailed (*Revised*) Economic Growth Strategy (SO5)

## ACRONYMS

AMDH	<i>Association Marocaine des Droits de l'Homme</i>	MNE	Ministry of National Education
CBO	Community-Based Organizations	MOH	Ministry of Health
CCT	Crosscutting Themes	MOJ	Ministry of Justice
CGEM	<i>Confédération Générale des Entrepreneurs Marocains</i>	MOST	Micronutrient Operational Strategies and Technologies
CMS	Commercial Market Strategy	MPP	Mission Performance Plan
CRS	Catholic Relief Services	NDI	National Democratic Institute
CSD	Child Survival and Disease	NEA	Near East and Asia Office/Department of State
CSP	Country Strategic Plan	NED	New Enterprise Development
CYP	Couple Years of Protection	NEF	Near East Foundation
DA	Development Assistance	NGO	Non-Governmental Organization
DFI	Directorate of Foreign Investment	OMDH	<i>Organization Marocaine des Droits de l'Homme</i>
DG	Democracy and Governance	ONEP	<i>Office National de l'Eau Potable</i>
DWG	Democracy Working Group	PSC	Personal Services Contract
ESF	Economic Support Funds	PVO	Private Voluntary Organization
EU	European Union	R4	Results Report and Resource Request
EUP	Environment and Urban Programs	RF	Results Framework
FDA	French Development Agency	RUDO	Regional Urban Development Office
FP	Family Planning	S-M-D	Souss-Massa-Draa Region
FY00	Fiscal Year 2000	SME	Small & Medium Enterprise
FY01	Fiscal Year 2001	SO	Strategic Objective
G/DG	Global Bureau/Democracy & Governance	SO5	Strategic Objective 5: Increased Opportunities for Domestic and Regional Trade and Investment
G/ENV/UP	Global Bureau/Environment Center/Urban Programs	SO6	Strategic Objective 6: Improved Water Management in the Souss-Massa River Basin
G/PHN	Global Bureau/Population, Health and Nutrition	SpO	Special Objective
G/WID	Global Bureau/Women in Development	SpO7	Special Objective 7: Population and Health
GOM	Government of Morocco	SpO8	Special Objective 8: Basic Education for Girls
HKI	Helen Keller International	SpO9	Special Objective 9: Democracy Governance
IFES	International Foundation for Election Systems	SUM	Sustainable Urban Management
IMS	Information Management System	TCN	Third Country National
IQC	Indefinite Quantity Contract	UNDP	United Nations Development Program
IRI	International Republican Institute	UNFPA	United Nations Fund for Population Activities
IRs	Intermediate Results	VSC	Voluntary Surgical Contraception
ITI	International Trachoma Initiative	WHO	World Health Organization
IUD	Intra-Uterine Device		
LOP	Life of Project		
LSGA	Limited Scope Grant Agreement		
MEG	Morocco Education for Girls Activity		
MENA	Middle East/North Africa		
MFA	Micro-Finance Activity		

## I. Progress to Date

Since the approval of the new Country Strategic Plan (CSP) in May 1999 (i.e., in less than 8 months), USAID/Morocco has made major progress on many fronts as we move to fully implement the new strategy. Specifically, we have:

1. Completed a move to new quarters, in response to the Ambassador's 1998 directive that we move for security considerations. Our new "campus-like" quarters and modular office space have greatly increased interaction and *esprit de corps* among Mission staff, breaking down the traditional "stove pipe" orientation, and improving our overall efficiency.
2. Established and organized the Crosscutting Themes Team (CTT). This has further promoted cross-sectoral dialogue in laying a solid foundation for increasing the impact of our program. The rigor and potential benefits of the Mission's first attempt at "corporate programming" is evidenced in the team's strategy and list of proposed activities, included herein.
3. Deepened our integration with the broader U.S. Mission through our pivotal participation in the Embassy's two interagency working groups – the Prosperity Working Group (PWG) and the Democracy Working Group (DWG). The products of considerable analysis and debate within these groups is demonstrated in the revised Economic Growth (SO5) and the new Democracy/Governance (SpO9) strategies, included herein.
4. Completed the design and initial obligation of our "flagship" project in the Souss-Massa-Draa (S-M-D) Region, the \$12+ million Souss-Massa Integrated Water Resources Management (SIWM) activity. We have also completed, jointly with our Moroccan counterparts, the detailed scope of work for long-term technical assistance to implement this activity, which should arrive in country during the spring.
5. Substantially restructured the management approach for SpO8, Girl's Education, providing a clearer framework for the expansion of the Morocco Education for Girls (MEG) activity.
6. Completed a detailed activity development plan for the remaining major new activities in the health and economic growth sectors that will serve as pillars of our strategy.
7. Made progress in fleshing-out our new Performance Monitoring Plan (PMP) which will be completed as activity designs progress over the next few months.
8. Outlined and negotiated with the U.S. Mission, proposed use of local currency generations from the sale of 100,000 metric tons of wheat which will likely be provided as a Section 416(b) food grant from the U.S. to Morocco in CY2000. We anticipate that such generations can help to broaden and deepen the impact of our assistance program.
9. Analyzed the management and logistical issues and options associated with launching a new, coordinated, sub-regional element of our program in the S-M-D.

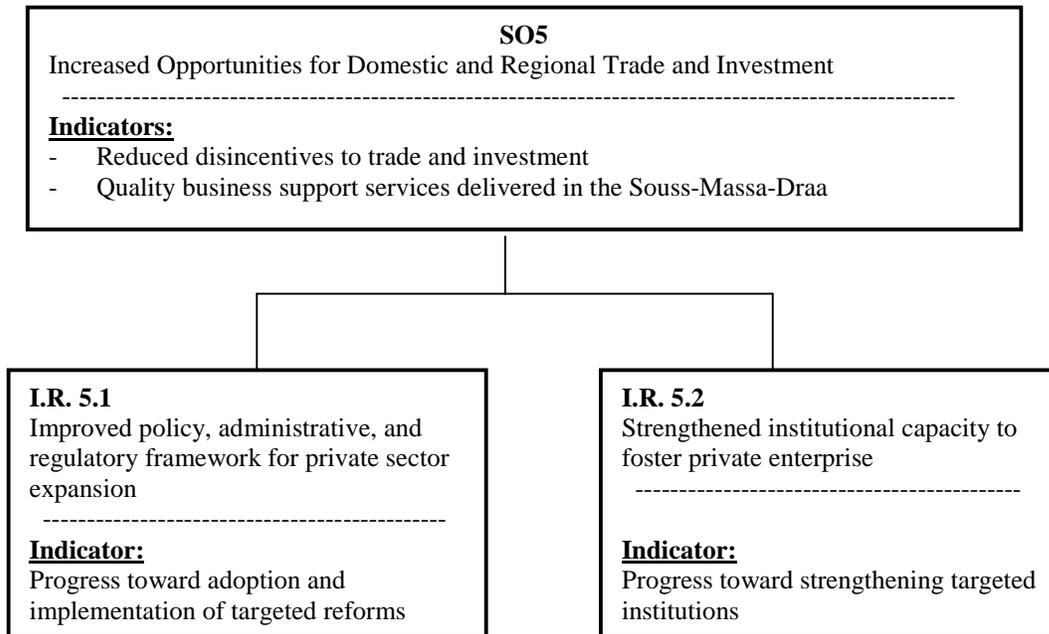
Altogether, these accomplishments signal our determination and commitment to achieving timely results that will have sustained impacts upon the continued development of Morocco.

# Proposal I: Strategic Objective 5: (Revised) Economic Growth Strategy

## A. Background

USAID/Morocco’s Country Strategic Plan was reviewed in USAID/Washington and approved on May 21, 1999. However, in the approval cable (STATE 123732) the Mission was instructed to provide a more detailed implementation plan for the EG sector. The Mission was asked to identify which policies would be stressed and which of the several illustrative packages the Mission will fund. In addition, the Mission was requested to provide detail on specific activities, partners and responsibilities for the first two years of implementation. This addendum is the Mission response to that requirement.

The results framework presented in the CSP and reproduced below, has been slightly modified since the CSP review. One SO level indicator has been changed from “business support institutions strengthened” to “quality business support services delivered in the Souss-Massa-Draa.” This change reflects both the Mission geographical focus and the recognition that institutional development is a mechanism to deliver services to private enterprises, not an indicator of SO achievement, in itself. I.R. 5.1 has been reworded to encompass administrative and regulatory reform (in addition to policy reform), recognizing that excessive regulation and inefficient or corrupt bureaucratic processes are fundamental constraints to private sector expansion in Morocco.



## B. Proposed Results Packages

The SO Team maintains its proposal to design and implement two new Results Packages corresponding to the IRs and performance indicators described in the CSP and modified above

### 1. Results Package 1: Accelerated Policy Administrative and Regulatory Reform

This results package consists of two new activities:

- Phase III of the investor roadmap exercise. This activity will provide technical assistance, training and limited commodities to help re-engineer administrative processes in agencies of government that play a key role in promoting and facilitating investment. Estimated cost is \$700,000 in FY 2000.
- Policy analysis support for the Ministry of Justice (MOJ). This activity will create a flexible and cost-effective mechanism to provide expert assistance for policy analysis and other inputs to advance the process of judicial reform in Morocco. Estimated cost is \$300,000 in FY 2000 and \$400,000 per year for the remainder of the strategy period.

The total estimated funding requirements for this results package is \$2.6 million over the strategy period.

## **2. Results Package 2: Building Capacity for Enterprise Support Services**

This results package will help build the capacity of five institutions that provide essential services to private enterprises located in the Souss-Massa-Draa (S-M-D) region of southern Morocco. The target institutions are:

- The commercial court in Agadir;
- Key industry associations in the S-M-D;
- Institutions engaged in microfinance lending;
- The National Investment Promotion Agency; and
- The National Agency for Small and Medium Enterprise (SME) Development.

These institutions were selected because of their important role in promoting enterprise expansion and facilitating domestic or regional investment. Estimated funding requirements for this result package are \$1.8 million in FY 2000 and \$6.4 million over the remainder of the strategy period, for a total of \$8.2 million.

The activities that make up these proposed new Results Packages are described below, and in greater detail in a longer version of the SO5 CSP addendum, submitted simultaneously with this document.

### **C. Rationale and Justification (Why this is the Optimal Mix of Activities)**

1. It is Demand-driven and Responsive to the Priorities of Key stakeholders

In June 1998, the World Bank published the results of a survey of 360 enterprises that asked respondents to identify and rank-order obstacles to the development of the private sector in Morocco. A survey on impediments to business creation and expansion was conducted, a few months later, by the National Business Association (*Enquête Auprès de 1100 Entreprises*). The newspaper "L'Economiste" surveyed 300 actual and potential investors in Morocco. Finally, the American Chamber of Commerce conducted a similar survey of its member companies in late July, 1999.

The results of each of these independent surveys were strikingly consistent. Respondents stated that the three most critical constraints to private sector expansion were: excessive regulation; bureaucratic inefficiency; and corruption/lack of transparency, particularly in the administration of justice. Other

studies have shown that the expansion of SMEs is further – and differentially - constrained by lack of access to credit. Recent public pronouncements by King Mohammed VI and senior government officials reflect a clear signal that the government is committed to undertaking reforms necessary to address these perceived constraints.

## 2. Program Components are Synergistic and Maximize USAID Leverage

USAID/Morocco proposes to undertake a carefully integrated program of activities (described below) that will help reduce the regulatory and administrative burden on private investors, promote transparency, and encourage business creation and expansion, with a special emphasis on small and medium enterprises (SMEs) which account for over 85 percent of GDP. That program will maximize USAID leverage by focusing, wherever possible, on high-profile activities in the Souss-Massa-Draa region which have potential for replication in other areas of economic interest, such as Tangiers. The activities build upon the success of past USAID investments and work in synergy with other donors and activities implemented by other SO and SpO Teams within the Mission.

## 3. It Addresses Broader U.S. Mission Priorities

This revised strategy has been reviewed and endorsed by the members of a USG inter-agency working group chaired by the Ambassador. The proposed program has also been reviewed by virtual team members, expert consultants and gender specialists.

## 4. It Keeps our Seat at the Table

The challenge facing USAID in Morocco is to deliver significant impacts with dwindling resources, while maintaining its relevancy to Moroccans. To accomplish this in the EG sector, the SO Team has emphasized activities that: a) provide intellectual capital rather than capital resources; b) mesh with the stated priorities of key intermediaries **who are committed to achieving common objectives**; c) draw upon past successes; and d) make judicious use of the demonstration, or “pilot” project where there are compelling reasons to believe that political will and resources will be available to extend the pilot activities, after initial successes are achieved.

It is within the manageable interest of the Mission to achieve sector-wide impacts, following this approach. USAID can leverage expertise to help bring about administrative reform, improve the administration of justice in the commercial sector, expand the capacity of sector associations to deliver services to their members, field test innovative new microfinance products and help structure new agencies to support SMEs and promote investment – all for less than \$5 million during the first two years of the strategy implementation period.

This strategy embodies the smaller mission mandate to do more with less and to achieve results that are far more than commensurate with resources invested. It requires the use of implementation mechanisms that maximize local expertise and places the management burden squarely on Mission staff (since consulting firm fees and overheads would consume most of the resources available under more traditional implementation mechanisms). Nonetheless, the SO Team and the broader U.S. Mission believe that this is the only approach that makes sense in Morocco, at this time, in order to respond to multiple mandates and make a significant difference.

## **D. What Was Left Out (from the “notional” list of activity targets in the CSP)**

Elaboration of the EG strategy (and providing the detail requested in STATE 123732) required the Team to make choices. Notional activity targets for IR 5.1 that did not make the cut included:

- Streamlining tax administration;
- Accelerating and broadening trade liberalization;
- Increasing the use of public savings to facilitate private investment.

Some or all of these important policy reform targets can be addressed through regional trade and investment support activities.

Notional activity targets for IR 5.2 that did not make the cut included support for:

- Institutions engaged in the operation or regulation of capital markets;
- Customs administration authorities;
- Institutions setting accounting and auditing standards and ensuring compliance; and
- Institutions establishing professional standards and certification (e.g., ISO 9000, GSM).

The bilateral program can be expanded to include some or all of these institution-strengthening targets if additional Development Assistance resources become available and PSC or FSN staff support can be obtained. Similarly, the current strategy’s geographic focus on the S-M-D could be extended to other areas of economic opportunity/political interest, such as Tangiers, given greater resource availability.

## **E. Specific Activity Background, Problem Analysis and Description**

### **Results Package 1: Accelerated Policy, Administrative and Regulatory Reform**

#### 1. Investor Roadmap III

##### a. Background

USAID, in conjunction with the GOM, Ministry of General Government Affairs, commissioned an in-depth study of the administrative requirements for an investor to become legally established in Morocco. That study, called the “Investor Roadmap, Phase 1” was completed in June 1999. It identified in detail, the impediments to the formal establishment and operation of businesses. The study team (Price Waterhouse/Coopers and TSG) concluded that, although Morocco’s investment environment has improved considerably, much work remains to be done since “investors encounter multiple bottlenecks across the entire spectrum of the start-up process.” The Investor Roadmap report was widely distributed among government and private sector representatives in Morocco and was the subject of numerous articles in the local media. The Minister of General Government Affairs publicly validated the findings of the Roadmap report and committed to work proactively with other agencies of government to help resolve the administrative and bureaucratic constraints identified by the consultants.

The second phase of the Roadmap exercise began in October 1999. This phase involves a careful review of Phase 1 findings with concerned agencies of government, followed by consensus building, a

prioritization of reforms and the development of an agreed, time-bound action plan to address process inefficiencies. The Roadmap Phase II should be completed by December, 1999.

#### b. Problem Analysis

By virtually all accounts, excessive bureaucratic and administrative requirements place a heavy burden on private sector investors. A recent USAID-financed analysis (May 1999, “Organizational and Administrative Reform Impact Assessment” by Chemonics) estimated that reducing the time and costs necessary for creating a new business in Morocco would increase Morocco’s GDP by 2.3 percent per year, or by approximately 7.34 billion dirhams (roughly \$770 million). Administrative reform could help create an additional 31,000 jobs per year. The Chemonics consultants consider these to be the minimum returns for a comprehensive program of administrative reform.

Other studies estimate that between one-half and two-thirds of all potential new business starts never progress beyond the initial steps of the registration process because of the complexity and costs of the bureaucratic and administrative requirements.

The Roadmap exercises were conducted in parallel with an on-going USAID-financed initiative to define business registration procedures for small and micro enterprises. That work, under the New Enterprise Development (NED) project, found that SME business registration procedures in Morocco require 16 different approvals and authorizations from 6 different ministries. Local officials are not held to any fixed deadlines for approvals and the various administrative processes are conducted in an ad hoc, haphazard manner.

Both the Roadmap study and the NED project team concluded that the investment registration process often takes six months or more and is rife with redundant requirements. The lack of transparency in the process, as applied, creates excessive discretion for low-ranking bureaucrats and hence, opportunities for corruption. These constraints are particularly burdensome for small investors who cannot afford to hire lawyers and facilitators to expedite the processing of their documents.

#### c. Activity Description

USAID’s groundbreaking work in the Roadmap I and II exercises provides a point of entry for future assistance to help re-engineer the administrative processes in agencies of government that play a key role in promoting and facilitating investment. The Roadmap II exercise, currently in progress, will identify priority reforms and specific host-country counterparts. This exercise is being conducted in a highly collaborative manner, with focus group meetings chaired by the Minister and involving senior representatives of all concerned agencies and representatives of the private sector.

The SO Team proposes to design and fund the third phase of the Roadmap exercise under the new results package. Over a 12-18 month period, this activity will provide technical assistance needed to complete a program of process re-engineering and change management within one or more agencies of government selected by the inter-agency focus group. Inputs will include: one long-term specialist in administrative reform, complemented by short term consultants in information technology applications, legal and legislative reform, process engineering, human resource development, and audit and fiscal analysis. At the conclusion of the third phase of the Roadmap, USAID will assess the impacts of its contribution to administrative reform and, together with Moroccan counterparts, determine the scope and modality for future assistance in this critical national initiative.

The Ministry of General Government Affairs (MAGG), represented by Minister Ahmed Lahlimi will be the primary partner and counterpart for this activity. MAGG will serve a coordinating role for the Roadmap III exercise and provide overall direction and guidance. Minister Lahlimi is a close associate of Prime Minister Youssoufi and is an extremely influential force for progressive reform within the Youssoufi government. Other partners will include: representatives of agencies targeted for process re-engineering; members of an inter-agency focus group, chaired by Minister Lahlimi; private sector counterparts and advisors, notably within the *Confédération Générale des Entrepreneurs Marocains* (CGEM).

## 2. Policy Analysis Support for the Ministry of Justice

The second activity proposed for consideration under the Accelerated Policy, Administrative and Regulatory Reform Results Package will finance policy analysis and technical assistance for the GOM Ministry of Justice.

### a. Background

Despite successful macroeconomic reforms and a surge in Morocco's private sector growth between 1985 and 1995, private sector growth and investment has stagnated over the past three years. The accompanying rise in unemployment and poverty has prompted the GOM to address other constraints to private sector growth, including what the World Bank refers to as "woeful inadequacies" in the country's legal and regulatory framework and the justice sector institutions charged with implementing and enforcing the law. The length and lack of transparency and predictability of judicial processes present important impediments to domestic and foreign investment. Royal speeches dating back to 1995 recognize that Morocco will not be able to compete in the global economy in the absence of drastic improvements in the justice system.

The new government has also committed itself to making rule of law reforms a priority. The April 1998 speech in which Youssoufi presented his government's program to Parliament emphasized the importance of judicial reform. Equally significant was the 1997 appointment and subsequent reappointment of a highly respected figure, Omar Azziman, to head the Ministry of Justice (MOJ). Omar Azziman had earlier earned widespread recognition and respect for his work as Morocco's first Minister for Human Rights. In that position, he was known for his commitment to progressive reform and skill in engaging in productive dialogue with civil society.

Under the highly capable leadership of Azziman and his Secretary General, Ahmed Ghazali, the MOJ has, over the past two years, developed a well-articulated vision for long-term sectoral reform. Changing the mentality of judges, increasing their professionalism and making the system accessible and transparent to its users are the leading themes underlying the program of reform. The overarching objectives of the reform program are a thorough restructuring and streamlining of administrative structures and processes within the Ministry itself, a modernization and updating of the country's legal framework to clarify, simplify and harmonize the laws, as well as a deliberate emphasis on the reform of those laws and institutions that govern economic transactions. The MOJ's emphasis on the commercial aspects of rule of law reform is motivated by a consensus that only private sector led investment and growth can generate sufficient jobs and wealth to stem the alarming increase in unemployment and poverty rates.

Progress has also been made in updating and modernizing the legal and regulatory framework, replacing legislation inherited largely from the colonial period. Among the critical reforms adopted between 1995 and 1997, we note, in particular:

- A new investment code (1995) that covers most commercial activities;
- A new law on Joint Stock Companies (1996);
- A new Code des Societes (1997) and a new Commercial Code (1997);
- A new regulatory framework for customs procedures has been approved by the government, and is currently under review in Parliament.

In addition, in 1997-98 a new system of commercial tribunals and appellate commercial courts was created to adjudicate all commercial disputes (discussed in greater detail in the description of Result Package II).

Since his ascension to the throne in July 1999, King Mohammed VI has strongly endorsed the reforms initiated by the Minister of Justice and has voiced his determination to accelerate the pace of administrative and justice sector reforms that are required to accomplish the interrelated goals of promoting private sector growth, encouraging development and alleviating poverty. A speech delivered by the King on Oct. 12 is noteworthy in that it empowers the Prime Minister to assume direct and full oversight of the Ministry of Justice which had traditionally been one of the special “palace ministries” (along with defense, interior and religious affairs) reporting directly to the palace rather than to the government. This appears to be a clear signal to those pockets of resistance within the justice system that have continued to resist reforms under the guise of the ministry’s special status.

#### b. Problem Analysis

Recent USAID studies (G. Denoeux, IFES) identify a series of problems affecting both the legal framework and the commercial court system which together constrain the system’s ability to ensure an equitable, transparent and efficient adjudication of commercial disputes. Fundamental gaps remain in the commercial law framework. Many of the new laws were hastily drafted and may be overly complex and ill suited to local realities. Significant new laws are not always applied or enforced. The efficiency and transparency of judicial processes in the commercial courts remain constrained by budgetary and human resource constraints as well as the slow pace of broader rule of law reforms.

#### c. Activity Description

In light of: 1) the “reformist” credentials and credibility of senior ranking counterparts within the MOJ; 2) the MOJ’s expressed interest in examining “Anglo Saxon” models of jurisprudence as an alternative model for judicial reform; and 3) the limited amount of resources available to support the MOJ’s wide-ranging program of judicial and legal reform; the Mission proposes to create a very flexible and cost-effective mechanism to provide expert assistance for policy analysis, directly to key counterparts in the MOJ.

USAID, in consultation with the General Secretary of the Ministry of Justice, will establish a small committee to receive and review Ministry proposals for technical assistance to be financed under this policy analysis support activity. USAID will identify and contract with appropriate sources of expertise to implement agreed terms of reference.

Based upon preliminary discussions with ministry representatives, priority subjects for analysis include:

- Review of current or proposed laws regarding anti-trust and consumer protection;
- Review of laws, regulations and enforcement procedures to protect intellectual property rights;
- Review of laws regulating receivership and liquidation of enterprises;
- Review of proposed reforms to streamline the administrative office of the court, including effectiveness of para-judicial personnel; and
- Assessment of existing practices to select and train judges.

To date, new commercial laws have been largely modeled on French law. However, given the MOJ's proactive interest in the introduction of Anglo-Saxon models and perspectives, and given USAID's extensive experience with the reform of Eastern European laws (including bankruptcy and government procurement systems), USAID is well-positioned to provide short-term TA to the MOJ that would help accelerate and orient the on-going reform process.

The Mission expects to source consultant expertise through the issuance of delivery orders to existing indefinite quantity contracts or other central contracts/agencies that specialize in legal review and judicial reform. These may include: the Legal and Institutional Reform component of SEGIR; the International Development Law Institute (IDLI); and/or the Commercial Legal Development Project managed by the Department of Commerce.

## **Results Package II: Building Capacity for Enterprise Support Services**

The CSP described an Intermediate Result that would be achieved through "assistance to selected public and private sector institutions that provide services to private enterprises." "That assistance may take the form of specialized expertise, program support contributions, training, the provision of information technology (and/or) limited commodities." In the intervening period since the CSP submission, USAID/Morocco has identified five target institutions to receive capacity building assistance during the first two years of the strategy implementation period.

### **Target One: Institutions Implementing Commercial Aspects of Rule of Law**

USAID proposes to strengthen the commercial court structure in the Souss-Massa-Draa and selected civil society organizations working to combat corruption in the administration of justice.

#### **a. Background**

In keeping with the Yousouffi regime's priority focus on the reform of commercial aspects of rule of law, a new system of commercial courts (Tribunaux de Commerce) and appellate commercial courts (Cours D'Appel de Commerce) was established in 1998 to adjudicate all commercial disputes between private litigants. There are currently six commercial courts located in Casablanca, Rabat, Fez, Tangiers, Marrakesh and Agadir.

In September 1999, the General Secretary of the Ministry of Justice requested USAID assistance to develop a program of "Total Quality Management" at the commercial court in Agadir, to include: 1)

training judges and para-judicial personnel; 2) rationalizing the financial management systems at the pilot court; 3) updating and modernizing the commercial registry; and 4) improving the efficiency of the administration of the court.

The General Secretary's request is based upon a conviction that the new commercial courts represent an important new model for court administration that is potentially replicable in other courts within the much-maligned judicial system. Senior representatives of the Ministry have confirmed their commitment to use GOM resources to replicate the USAID-supported model, once gains in the efficiency and transparency of the commercial court operations are established.

In September and October 1999, a team of consultants from the International Foundation for Election Systems (IFES) conducted a field survey to assess needs and opportunities for a program of assistance to promote efficiency and transparency in the justice sector. The IFES consultants were able to develop a workplan for a one-year program of assistance, funded by the ANE Bureau regional Rule of Law program implemented through G/DG, using Economic Support Funds (ESF). Although that program has not been formally reviewed/approved, based upon field debriefings, the Mission understands that IFES will concentrate on developing and delivering training modules for judges and court administration personnel. IFES has also expressed interest in focusing its limited resources on efforts to improve the commercial court operations in Rabat. USAID/Morocco will closely track the progress of IFES initiatives and will seek to extend the outreach of IFES-sponsored training, to include representatives from the commercial court in Agadir, whenever possible. The EG Team and the IFES consultants will coordinate their efforts to ensure that their parallel programs of assistance to the commercial courts are synergistic.

#### b. Problem Statement

Despite a general perception that the commercial courts have performed with far greater efficiency than the courts of general jurisdiction, there remains an important need to strengthen their institutional capacity. The Ministry and independent consultants engaged by USAID have concluded that the ability of the commercial courts to maintain their current standards of efficiency, as caseloads inevitably increase, is limited by a number of constraints. These constraints include a lack of judges with the knowledge and experience necessary to implement new commercial laws; a lack of regular and timely access to legal information, including changes in the Moroccan law and international conventions and treaties; weaknesses in court administration, and a cumbersome case management and record filing system.

#### c. Activity Description

USAID proposes to analyze the court administration and case management systems and practices at the commercial court in Agadir and provide technical assistance, training and commodities needed to increase their efficiency and effectiveness. To the extent that the regional Rule of Law program implemented by IFES does not adequately address the training needs of the Agadir-based court officers, the activity will design and implement supplemental training for judges and court administration personnel assigned there. Also, insofar as the commercial court in Agadir is subject to the jurisdiction of the Court of Appeals in Marrakech, additional training will be extended to the personnel at that court, where USAID determines that it is cost-effective and appropriate to do so. Finally, the activity will finance two surveys of private sector representatives (at least one to be conducted in the proximity of Agadir) to determine the perceived extent of corruption in the judicial

sector. Results from these surveys will be used to refine the design of a subsequent, USAID-financed, pilot activity to monitor and help reduce corruption in the court system in Agadir, to be implemented by reputable civil society organizations.

## Target Two: Institutions Providing Business Support Services to Enterprises in the S-M-D

### a. Background

The economy of the Souss-Massa-Draa region is dominated by three key industries: fishing, tourism and agriculture. Together, these sectors represent almost 85 percent of the region's income and employment. This economic concentration has also resulted in the creation of a number of federations, associations and cooperatives representing businesses that supply and service the key industries. Intense international competition in these industries has forced the leaders of those institutions to consider how they might raise the professional standards and lower costs for all of their members, in order to improve the competitiveness of Moroccan products in world markets. At present, however, the institutions are poorly equipped to provide services to their members, since the initial rationale for their establishment was to promote the interests of their sectors to national public policy makers – not to deliver capacity-building services to individual companies.

In November, 1999, USAID/Morocco engaged a team of consultants from Chemonics to assess the role and functions of business associations in the S-M-D and help the Mission determine whether and how to: 1) strengthen the institutional effectiveness of such associations; and 2) best utilize the associations as intermediaries to deliver business support services to small and medium enterprises in the region.

### b. Problem Analysis

Sectoral business associations in the S-M-D are poorly structured, with inadequate staff and limited capacity to deliver technical services to members. Numerous studies, (notably, *Le Developpement des Organisations Professionnelles et Interprofessionnelles des Secteurs Agricole, Agro-Industriel et Halieutique*, Deshayes, 1997) as well as the findings of the USAID-financed New Enterprise Development (NED) project point out deficiencies in the organizational structure of such associations that limit their ability to represent or serve their members. In many cases in the S-M-D, these associations are managed by a single individual whose primary role is to promote the interests of the sector at various conferences and events.

Based upon field surveys and interviews, the Chemonics consultants and Mission staff have observed that the role of associations in the S-M-D is evolving. There is an increasing demand among members of associations for more than just representation, i.e., for outreach services that include technical support to improve firm competitiveness, (particularly, techniques of quality assurance, rapid provision of technical information, and assistance in establishing partnerships and joint ventures). And although the leaders of key associations in the S-M-D recognize that their associations can play an important role in helping individual members to improve their competitive position in global markets, they lack the organizational capacity to do so.

The leaders of key industry sector associations also recognize that, in order to expand services, they need to raise their membership and revenue bases. To do that, they have to demonstrate value-added to member firms. The limited scope and quality of business support activities currently being offered

by associations in the S-M-D do not respond to members' needs or expectations. Several associations (described below) have therefore solicited the assistance of USAID/Morocco to help them improve their institutional capacity to deliver services to their members.

### c. Activity Description

USAID proposes a phased approach to activity implementation during the first two years of the strategy period. The sequence of sub-activities is as follows:

Phase 1 - Diagnostics: USAID will engage local consultants to conduct a comprehensive analysis of three target associations with a view to determining inputs needed to strengthen their institutional capacities to represent their sectors and deliver services to members. The three professional associations selected for participation in this phase are: APEFEL (Agriculture), FIPROMER (Fishing), and GRIT (Tourism). The diagnostic phase will help the Mission to develop a tailored action plan that will address specific institutional constraints of the three associations.

Phase 2 – Institution Strengthening: USAID will provide technical assistance, training and information technology to increase the capability of the associations to deliver services to their members, particularly the smallest individual operators in the industries.

Phase 3 – Service Delivery: Training and advisory services. Training modules will be developed, in consortium with the relevant sector associations to respond to the needs of enterprises in the target sectors. For the fishing industry, industry association leaders and members have identified the following priorities: training in standards of hygiene and public health requirements, environmental norms for disposing waste fish products, reducing energy and water costs, and marketing. For the fresh produce association, the modules will include: training in more efficient water usage techniques, improved cropping, use of meteorological data, market information and applied research. For the tourism group, the association will provide training to members on topics including: international ecotourism standards; quality assurance; marketing; and professional ethics. The training modules will be developed by local consulting and training firms from S-M-D, wherever possible, and delivered to member firms by the associations.

In parallel with phase 3, associations and their members will be assisted to develop their capacity to better use IT tools. Products identified by the target associations include:

- Internet connectivity for the associations and members in rural areas
- Information search through Internet technology
- Website development and management
- Establishment of sector databases
- Information disseminated to members through CD-ROM platforms
- Networking their databases with those of partner organizations such as Chambers of Commerce and the National Agronomics Institute.

After the first two years of activity implementation and subject to resource availability, USAID/Morocco proposes to expand the geographic and sectoral coverage of this activity to include support to smaller associations (Chemonics consultants identified 14 potential candidates for future USAID assistance). In the longer-term, USAID will replicate the methodology and extend geographic

coverage still further within the S-M-D to reach rural cooperatives that are currently attracting some degree of donor attention because of their effectiveness in organizing rural women and the poorer elements of the communities.

### Target Three: Institutions Engaged in Microfinance Lending

#### a. Background

Since 1995, USAID has been implementing a very successful microcredit activity structured around the creation of a self-sustaining local microfinance institute (called “Al-Amana”). Following a Grameen Bank-like model of group guaranteed loans, the USAID activity has delivered over 35,000 microloans to borrowers in urban and peri-urban areas. Fifty six percent of these loans have been made to women. Al-Amana has achieved more than 80 percent cost recovery and has expanded its outreach to include 36 branch offices throughout the country. USAID estimates that Al Amana will achieve loan volumes and repayment rates that will enable it to sustain its current credit operations, without further donor assistance, by the summer of 2000.

#### b. Problem Analysis

Lack of available credit for small and microenterprises remains a critical constraint to business expansion in Morocco. The commercial banking system does not lend to borrowers from the poorest market segments because of perceived risk factors; lack of understanding of the potential profitability of the sector; and lack of training and access to technology needed to delivery microloans efficiently. The commercial banking sector in Morocco can be characterized as a protected cartel, in which a small number of banks provide financial services to a relatively small client base of well-established businesses and families. The lack of effective competition in the banking sector has resulted in a highly conservative approach to lending (that relies heavily on collateralized securities) and reduces incentives to develop new lending products or target new market segments, including SME borrowers.

Successful credit foundation intermediaries like Al Amana have demonstrated the viability of microlending in Morocco and provide evidence of the extent of unmet demand for microloans, even at relatively high effective interest rates. USAID and other donors will continue to provide funds to expand such programs. However, as the market for microfinance services evolve with increased competition among donor-financed programs, microfinance institutions are facing greater pressure to identify new clients and new financial products to expand their services.

#### c. Activity Description

In addition to its more traditional (and on-going) microlending activities, USAID proposes to provide assistance to one or more microfinance institutions to deliver the following products:

##### (1) Microcredit for Housing

Small loans can encourage domestic investment by helping the working poor to build or improve their housing. In October, 1999, USAID undertook a study to measure the market for small housing loans and to identify a mechanism to provide housing credit to poor people on a sustainable basis. The study determined that there is a large unmet demand for credit among the working poor. Existing programs serve a small minority of poor people with regular salaries, usually from civil service jobs. The much

larger number of people with private sector employment or who are self-employed have no access to these programs. This problem has been identified as a priority for the GOM and both King Mohammed VI and the Prime Minister Yousouffi have emphasized the importance of initiatives to provide housing for the poor in recent public statements.

The USAID study concluded that, based upon experiences in other countries (notably, South Africa, Thailand, Chile and Mexico), these potential borrowers are bankable if the products offered are carefully designed to meet their needs.

The study recommended a demonstration program in one or two sites, which would offer two products:

- A short-term loan with no collateral requirement, usually for home improvement, lasting a maximum of three years; and
- A mortgage-backed loan (securitized with a mortgage bond), for periods of up to ten years, for new construction or additions to existing housing.

The consultant team recommended requiring regular savings for a period before the loan is given, both as a screening mechanism and as a partial guarantee. Based upon the products described above, the team determined that the product would be commercially viable, given certain assumptions (described below) and that a financial institution could be induced to participate in the program, once the loan performance track record was established.

USAID staff and the study consultants met with managers of selected formal financial institutions (including the Banque Populaire) and received a clear expression of interest in participating in a microfinance for housing program. However, bankers are understandably reluctant to commit significant amounts of capital to implement an unproven approach. And while USAID cannot meet the national needs for credit for low-cost housing, there is evidence that a demonstration project, if successful, will attract commercial capital.

The SO Team, therefore proposes to undertake a demonstration project in Agadir, to establish the viability of the proposed approach to microfinance for housing.

## (2) Rural Microfinance

The geographic coverage of USAID/Morocco's microlending activities to date has been limited to urban and peri-urban environments. However, given the Mission's strategic focus on the Souss-Massa-Draa and the demographic characteristics of the region, it is evident that a rural microlending model must be developed to complement the existing activities, in order to achieve strategic objectives and expand the coverage of future microcredit initiatives during the strategy period.

USAID has therefore commissioned a study of potential approaches to community-based rural lending in the S-M-D. That study will help define the most appropriate methodology(ies); the recurrent cost implications that would affect the sustainability of an association-based approach; modifications to the financial products currently being offered in urban contexts (if necessary); potential impacts; and appropriate intermediaries. The study will also help define an approach to rural microfinance that maximizes outreach to women borrowers and will include a social analysis to assess how this new product will impact women's lives.

Based upon the results of that study and internal reviews, the SO Team proposes to initiate a new program of institutional support for rural lending in the S-M-D in late FY 2000.

#### Target Four: National Investment Promotion Agency

##### a. Background

In March 1999, the GOM undertook an in-depth assessment of impediments to investment and competition. The findings and recommendations from this investigation were published in a report that served as a basis for the 1999-2003 economic and social development plan (“*Rapport de la Commission de la Promotion des Investissements et de la Concurrence*”).

The report recommended a number of actions to reduce the administrative burden and costs associated with investment in Morocco. One of its principle recommendations was the creation of a National Investment Promotion Agency (NIPA).

The report proposed the following functions for the NIPA:

- To be the sole interlocutor for any local or foreign investor;
- To list all administrative and documentary requirements with associated costs and deadlines;
- To maintain databases relevant to potential investors;
- To be the sole representative of the GOM at international and domestic events to attract investment in Morocco;
- To use information technology as a means to promote foreign and domestic investment and to streamline administrative procedures;
- To create a “Compensation Fund” (to cover certain claims stemming from a foreign investor);
- To reconstitute the land reserve stock; and
- To become a key player in the debt-for-equity mechanisms.

A legal framework for NIPA was drafted in 1999 but was not enacted, due to a lack of consensus for the “institutional home” of such an agency. There are currently two options:

- To use the existing Directorate of Foreign Investment (DFI) in the Ministry of Economy and Finance as NIPA’s institutional home. For that purpose, the DFI is proposing a reengineering scheme to enable this Directorate to become an autonomous agency, with independence from civil service regulation over management, budget and strategic planning; and
- To create a new institution placed under the aegis the Prime Minister with a board constituted of representatives of all Moroccan ministries and the private sector.

The proposed new agency has not yet been created under the law. However, both the King and the Prime Minister have recently declared that the creation of such an agency is a top priority. Debates concerning the roles, functions and strategic orientation of such an agency are at an advanced stage.

##### b. Problem Analysis

Morocco’s economic reforms to date have been quite significant. Laws that previously restricted

foreign ownership of companies to 50 percent have been repealed. The vast majority of foreign exchange controls have been liberalized; foreign investors can now freely repatriate capital and dividends. In the area of customs clearance, Morocco has developed a fully automated system that has significantly reduced clearance delays. Although these reforms have been largely successful, much work remains to be done to make Morocco the premier investment destination among the Maghreb countries. Among the remaining constraints cited in the March report:

- Complex company registration procedures constrain investment, particularly in combination with a vague and non-transparent investment code ( e.g., investors must interact with both the tax authority, the clerk of the tribunal and a notary three times each during the registration process).
- Locating a site for industrial investment is one of the most complicated aspects of the start-up process (e.g., municipal authorities often fail to complete infrastructural developments)
- Prior to beginning operations, investors must obtain a series of additional authorizations and municipalities have their own procedures that are not formalized. Hence, the “rules of the game” often change midstream.

The most recurrent problem mentioned by investors at every stage of the investment start-up process is the lack of procedural transparency. There are few, if any, formal, written guidelines. When investors ask civil servants for assistance, they are always directed to facilitators. Documentary requirements for various permits and licenses are not only excessive, but duplicative. Investors frequently complain about the need to interact with the same government agency several times and to submit the same application materials to different government agencies. Procedural bottlenecks that delay a project’s completion or require significant amounts of staff time inevitably increase the cost of doing business. These disincentives are particularly onerous for small to medium-sized investors in Morocco.

### c. Activity Description

The EG SO Team proposes to provide technical assistance, training and limited commodities to a newly-created National Investment Promotion Agency to enable it to perform its functions in accordance with international standards of best practice.

Once the NIPA is constituted and its structure and authorities are clarified, initial increments of USAID assistance will take the form of advice on organizational design and capacity building and training for NIPA staff. Subsequent inputs will include the design and installation of appropriate information technology systems, including database software and investor application tracking functions.

If the GOM opts to continue the current investment promotion operation within the Ministry of Economy and Finance in lieu of creating a new agency, USAID proposes to undertake an organizational diagnostic exercise to determine whether and how USAID assistance could help improve the effectiveness of that operation. Subsequent assistance, if any, would be dependent on the outcome of that diagnostic exercise.

Any future USAID assistance to the NIPA will benefit from the Agency’s wealth of experience supporting investment promotion agencies in other countries.

## Target Five: National Agency for SME Development

### a. Background

The Government of Morocco conducted a study in December, 1998 to assess the role of Small and Medium Enterprises (SME) in the national economy. The results showed that SMEs constitute over 90 percent of the total number of formal enterprises, they employ 51 percent of all workers in the manufacturing sector and account for 41 percent of total industrial output. As in other countries, the SME sector plays a critical role in the nation's economy, producing approximately half of its gross domestic product.

Currently, however, there are no Moroccan agencies dedicated to providing customer-focused, full service programs and accurate, timely information oriented to the small enterprise community. No agency of the GOM has been tasked to identify specific barriers to small business expansion, formulate policies to reduce such barriers or develop programs that provide small businesses with increased access to business support services or to capital.

USAID/Morocco, through its New Enterprise Development (NED) project has helped to fill the gap. The project has:

- Created a small business database – an up to date listing of small businesses, disaggregated by sector, size, region, legal form and other descriptors. This database will serve as the basis for public policy analysis and decision making by government officials as well as for market research for investors.
- Developed the *Official Guide to Business Formalities* which lists all administrative and bureaucratic requirements facing small enterprises, their costs, deadlines and document requirements. The *Guide* will be used to help establish a one-stop center for registering small businesses.
- Facilitated the development of a SME “Charter” which presents a comprehensive framework of laws and policies intended to provide government support for small enterprises. The Charter provides the basis for the constitution of a new agency to be entitled “*L’Agence Nationale pour le Développement de la PME*” – the functional equivalent of the U.S. Small Business Administration.

This proposed new agency has not yet been approved or formally constituted under the law. However, both the King and the Prime Minister have publicly declared their support for the development of such an agency; the on-going debate concerning its roles and functions has reached an advanced stage; and significant progress has been achieved in the drafting of a constitution for the new agency.

### b. Problem Analysis

The NED project advisors and other experts have determined that SME development in Morocco is significantly constrained by:

- Slow and complex business registration procedures;
- Lack of transparency and corruption in the regulatory environment;

- Lack of quality data available to government and other interest groups to facilitate policy formulation and decision making;
- Impediments within the legal status of business and trade associations that reduce their capacity to raise funds and lobby for public sector reforms;
- Difficulties in access to capital for SMEs; and
- Poor internal management and marketing skills within small enterprises.

These constraints could be addressed, in part, through the intermediary of an appropriately structured and empowered National Agency for SME development.

### c. Activity Description

USAID proposes to facilitate the Government's efforts to create a National Agency for SME Development with resources provided through the NED project. Once established, the EG SO Team proposes to begin a program of institutional development for the new agency. At a minimum, USAID support would include technical assistance, training and commodities to facilitate the creation of:

- A central repository of SME statistics and analyses;
- A policy analysis and advocacy unit to help initiate and monitor constructive reforms;
- A one-stop business registration center that would also serve as the institutional "home" for the Official Guide to Business Formalities, including responsibility for its periodic update and issuance of addenda; and
- A marketing support network to facilitate small business expansion.

Other potential functions of the new agency, including a credit and credit guarantee component, are under consideration by the GOM. USAID/Morocco will finalize and refine its proposed package of institution-strengthening assistance for the new agency after assessing the agency's final configuration and authorities, the availability of USAID resources and consistency with the CSP and applicable USAID policy guidance.

## F. Management Issues

The Mission recognizes the management burden associated with this revised strategy. The following measures will ensure that the activities described above are appropriately managed and monitored. Note that this plan is far less, in both number of staff and cost, than the original management proposal included in the CSP.

- The Office of Economic Growth will recruit and hire one project-funded Third Country National (TCN) or senior Foreign Service National (FSN) employee to supplement the current EG office staff (consisting of a USDH Office Director, two senior project management specialists, an administrative assistant and a secretary). That individual will likely manage the proposed new activities in support of the Ministry of Justice.
- USAID/Morocco will also recruit and hire a program-funded, senior FSN project management specialist to be based in Agadir. At a minimum he/she would provide management support for the business services component of the EG Strategy (providing capacity building assistance to sector associations and their members).

- The EG SO Team will explore the possibility of “bundling” delivery orders to central IQCs in instances where multiple tasks can be combined in one procurement document to help implement related activities (e.g., support activities for the MOJ or information technology applications within different counterpart agencies).

**Summary Presentation**  
**S.O. 5: Increased Opportunities for Domestic and Regional Trade and Investment**

	<b>FY 2000</b> (\$000)	<b>FY2001</b> (\$000)
<b><u>IR 5.1: Improved Policy, Administrative and Regulatory Framework</u></b>		
Administrative Barriers Reduced Roadmap III	700	--
Policy Analysis Support for the MOJ	300	400
<b><u>IR 5.2: Strengthened Institutional Capacity</u></b>		
Institutions Implementing Commercial Aspects of ROL	500	500
Institutions Providing Business Support Services in the S-M-D	300	400
Institutions Engaged in Microfinance Lending	1,000	300
National Investment Promotion Agency	0	200
Small Business Administration	0	200
<b>TOTAL</b>	<b>2,800</b>	<b>2,000</b>

Life of strategy funding, based on straight-line assumptions for all activities except the investor roadmap exercise, is estimated at \$10.8 million.

### **III. Proposal II: Crosscutting Themes**

#### **A. Mission Crosscutting Themes and Synergies among Strategic Objectives**

The Crosscutting Theme (CCT) Team will pursue joint planning and implementation of activities that will leverage and multiply the impact of SO/SpO programs, and achieve complementary results that will support the CSP goal: “Expanded Resource Base and Capacity for Sustainable Development.” Given our decision to target the Souss-Massa-Draa (SMD) Region in support of GOM initiatives in decentralization, the goal of the CCT Team is “Improved Quality of Life in the SMD Region,” with a focus on increasing the use of quality services.

USAID/Morocco recognized, in the development of the Country Strategic Program, that there were important themes echoed in each individual SO and SpO that are essential for achievement of the CSP goal. The two major themes identified are gender, which in the Morocco context implies a focus on women, and private-public partnerships, focusing on strengthening the relationships between the newly established regional structure, other elected officials, civil servants, the NGO community and the private sector to maximize the contribution of each “partner” in the development context.

When developing the CSP, despite the clear emphasis of these themes within each SO/SpO, the serious limitations of the traditional approach of working through vertical sector programs to address these themes became apparent, particularly in the context of fairly limited resources. Thus, the Mission decided to try to co-locate activities in the Souss-Massa-Draa region. However, while there are some benefits to co-locating activities, a more structured approach is required to assure that opportunities for synergies are maximized and gaps are filled in order to augment the development impact of the vertical programs. A crosscutting team approach was identified, as the most effective tool to address these issues and also to assure that USAID remained customer-oriented at the lowest level of the system. If a single lesson can be taken from our sector-specific work, it is that communities rarely structure their needs and requests within traditional sector-specific boundaries. There is also considerable demand from regional authorities, elected officials, the NGO community and the private sector, for assistance to strengthen their capacity in order to be more effective and responsive to their constituents and customers.

By using the crosscutting themes as a starting point, the Mission will be able to break out of a “stovepiped” approach and respond to GOM and community development priorities through effective and appropriate mechanisms. The innovative nature of the proposed CCT program will allow USAID/Morocco to undertake a series of targeted activities in an integrated, regional- and/or community-focused manner. The establishment of an overarching Mission management structure to deal with integrated and/or synergistic programs adds value since innovative mechanisms can be employed that are not currently available to individual Mission SOs. These mechanisms include, but are not limited to: co-implementation and co-location of cross-sectoral activities, a more rational planning and phasing of SO and SpO interventions based on counterparts’ and partners’ capacity to absorb assistance, and the employment of cross-sectoral grant or contract mechanisms that allow USAID to address regional/local priorities as they are identified.

The Team believes that significant progress towards achieving the strategy will not only improve the lives of people in the region, but will provide a model for similar integrated, crosscutting approaches to

development in other parts of Morocco as well. For example, the strategy and approach developed under the CCT has already resulted in improved donor coordination on gender issues in Morocco, through the institutionalization of a Donor Roundtable Discussion Group on Gender.

Resources invested in crosscutting themes and synergistic activities shall yield both programmatic and process results. The CCT will promote higher impact through geographic synergy by concentrating resources in the SMD region, targeting specific communities and regional structures and strengthening the communication and collaboration between USAID contractors and grantees working in the region. The CCT and the Mission propose the development of a SMD Workplan that will enable better planning, coordination, communication and implementation within and between SOs and SpOs. The workplan will provide a basis of discussion for SO strategy complementarity, appropriate application of the mechanisms described above, and benchmarking of progress towards joint objectives in the SMD. The process of making the strategic framework operational through the design and implementation of crosscutting activities, as well as process of monitoring and evaluation, will enable USAID/Morocco to create a clearer overall Mission-wide strategy for the SMD region, with sustainable and replicable results.

## **B. Crosscutting Themes and the Strategic Framework**

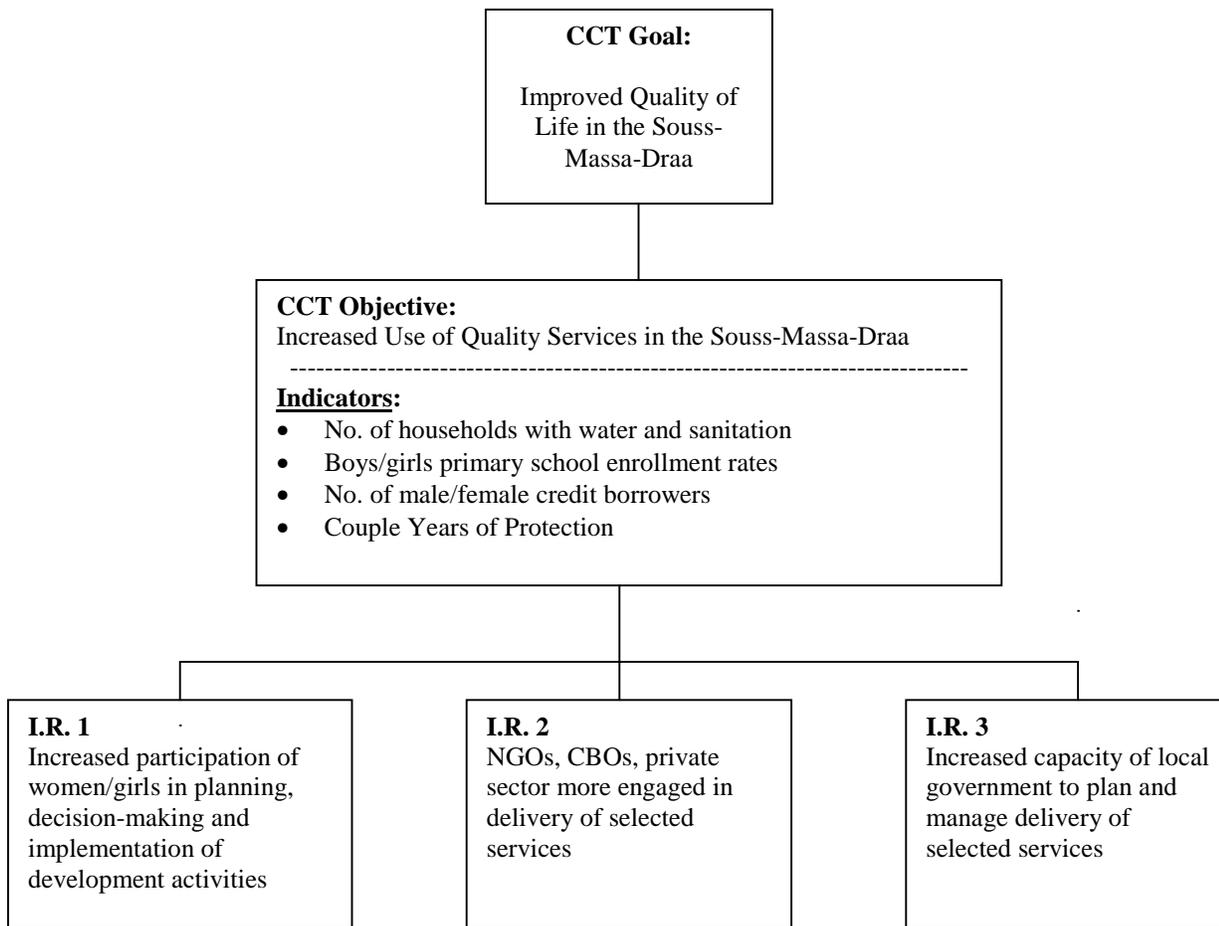
To more thoroughly develop these concepts, the CCT Team developed a strategic framework that has assisted the Team to logically structure its thinking, deliberations and the development of a set of targeted activities to be undertaken over the next two fiscal years. The development of this approach was based on existing data and reports used in the development of the CSP as well as a gender analysis completed with assistance from G/WID. The process involved a series of brainstorming and strategy sessions. As illustrated in the diagram below, the CCT goal and objective are Improved Quality of Life in the SMD, and Increased Use of Quality Services in the SMD, respectively. This framework integrates the two themes of gender and private-public partnership while building on the substantial opportunity that the new regional structure presents. To address these issues and achieve the desired results, three intermediate results are required.

IR1: With increased access for women and girls to services and resources, and their ability to make and implement their own decisions critical to development in the country, this result focuses on the gender theme: **Increased participation of women/girls in planning, decision-making, and implementation of development activities.**

IR2: The second crosscutting theme, private sector, NGO and CBO involvement, also has a direct causal relationship with the objective. Explicitly stated as, **NGOs, CBOs, and the private sector more engaged in the delivery of services**, this second result focuses on an expanded role for non-governmental entities in delivery of services targeted in the objective. Of particular interest is the private sector's potential for contributing much-needed financial resources where they are currently in short supply, and the provision of technical assistance to other non-governmental entities involved in service delivery.

IR3: The third result which will contribute directly to greater use of improved quality services focuses on strengthening local government's ability to deliver services targeted by the objective. Working in concert with customers of the two previous results, an **increased capacity of local government to plan and manage the delivery of selected services** will greatly enhance both access to and use of services, and complete the set of intermediate results necessary and sufficient to accomplish the objective.

## CCT Strategic Framework



As stated above, the achievement of these intermediate results link back to SOs by leveraging and multiplying the development impact of SO and SpO programs, while at the same time achieve results that will respond to the higher level Mission goal. The strategic framework and the Performance Monitoring Plan have been developed through a consensus-building manner such that each mirrors priority areas of each SO/SpO program and/or highlights programmatic gaps in achieving SO-level results. Therefore, results to be achieved through the CCT strategic framework shall complement and assist, but not duplicate SOs/SpOs in achieving sector results. The CCT structure will allow a broadening of sector-specific mandates that better respond to local demand and provide targeted multi-sector technical assistance in a more logical and sustainable manner. Ultimately, USAID interventions and the development of best practices shall inform Moroccan policy decisions and influence the development of new regional policies.

### C. Proposed Activities and Management Structure for the Period FY00 – FY01

The CCT Team, comprised of representatives from each SO/SpO, the program and support offices, will be responsible for the identification, design, funding, monitoring and reporting of key activities or targets of opportunity. All activities selected will conform to most, if not all, of the following criteria:

- An activity must focus on one or both of the crosscutting themes, i.e. public-private partnerships or women's and girl's integration.
- The activity must be carried out in the Souss-Massa-Draa region of the country.
- Activities must have a multi-sectoral impact.
- An activity must mirror Government of Morocco development priorities.
- The activity must contribute to some aspect of the Mission's approved Country Strategic Plan, either by complementing an existing initiative or by filling a gap in the strategy.
- Activities must be aimed at sustainability.
- An activity must not place an unreasonable financial and managerial burden on funds or staff. Activities and implementation mechanisms will be sought which require a low management burden, but provide high returns on investment.

Proposed activities that meet the criteria listed above and which have been deemed as strategic priorities for USAID/Morocco in the SMD are given below. The activities, as requested, are listed in priority order and cover the two-year period FY00 – FY01.

#### Activity 1: Integrated NGO, CBO and Local Government Capacity Building

The Souss-Massa-Draa Region is a region of high poverty, particularly in rural areas where there is an important lack of access and use of services, which impacts negatively on the quality of life and socio-economic indicators, especially as concerns women and children. Although the region is well known for the number and relative strength of its NGO and community-based organizations (CBOs), these organizations lack maturity and have not been particularly effective partners in addressing these issues, particularly in more remote areas. These organizations are actively involved in all sectors of interest to USAID/Morocco. A study was recently completed whose objective was to identify the institutional and coordination needs of SMD NGOs. The study revealed that there was a lack of coordination between various associations as local priorities are defined and projects implemented, a lack of management experience among NGO/CBO leaders, a lack of communication strategies, and a lack of partnerships developed with local authorities in the planning and implementation of local development projects. Each of these missing components acts as a constraint to the effective participation of civil society in the development process and to maximizing the use of local organizations as valuable human and financial resources for service delivery.

The CCT will support an integrated program of activities that focuses on improved delivery, access and use of services in selected areas of the SMD. Initially, joint NGO/CBO and local government capacity building activities would be undertaken to achieve better organizational management, sustainable financial support and improved inter-organizational communication. The objective of these initial activities is to improve the ability of local partners to organize themselves and work together, and strengthen the capacity of these partners to identify, design and implement a local development program. The USAID program will then concentrate on building institutional linkages, and provide technical assistance and training that aims at improving the quality of service delivery, while increasing use and access by the community(ies). Selected services shall be based upon community-determined needs, and special emphasis shall be given to the role of women in local development process. A number of rural communities shall be selected based on the potential of synergies being exploited and for each SO/SpO broader objective to be achieved.

The results we anticipate achieving fall within each of the three IRs, and relate directly to the themes

of public-private partnerships and gender:

- Ultimately, improved service delivery that is appropriate to demand and human/financial resource levels, and which is sustainable.
- Increased role, participation and empowerment of local NGOs/CBOs in development design, planning and program implementation.
- Better defined role and responsibilities of local authorities, as they relate to local constituencies.
- The institutionalization of these roles and responsibilities through the creation of a sustainable local development process.
- Strengthening of local NGO/CBO and local authority capacity to engage in such a participatory and democratic process.
- Increased participation of women and girls and acknowledgement of such participation by society.

Two American PVOs, Catholic Relief Services (CRS) and the Near East Foundation (NEF), recently submitted to USAID/Morocco a joint concept paper that mirrors many of the results sought through the implementation of this activity. In addition to the above listed results, it is hoped that a Moroccan NGO(s) will play a key role as partner with an American PVO in the implementation of this activity, and that this partnering will result in one or more sustainable, effective Moroccan NGOs committed to furthering integrated planning and services provision. The CCT is currently awaiting the submission of an unsolicited proposal from CRS/NEF which is based on the concept paper and that takes into consideration USAID's objectives, and initial comments and concerns. The timeframe for this activity is estimated at four years. The activity will be phased and would eventually span up to 30 rural communities in the SMD. Estimated LOP cost: \$3.0 million. FY2000-01 cost: \$2.0 million.

#### Activity 2: Local Development Plans: Participatory Planning and Implementation Processes

GOM annual and multi-annual planning and budgeting exercises will continue to undergo transformation over the next several years given three important changes in local affairs. First, the Local Government Directorate within the Ministry of Interior has, for the first time ever, permitted and encouraged local authorities to develop their own five-year economic and social development plans for submission to the central level. In addition, the Directorate is creating an extensive database of local development activities which will further inform planning and investment decisions, and that will be shared with all stakeholders in the local development process. Second, the Ministry of Regional Planning has decided to improve regional planning by making it a more participatory process, resulting in a more useful and operational planning document, and plan implementation. The new process, which is at the stage of conceptualization, will require the continuous input and collaboration of local civil society and the private sector. Lastly, the expanded authority and role of regional and provincial councils (elected officials) in the planning, budgeting and implementation process (as opposed to planning/budgeting by central line ministries and their regional delegates), is in the process of being clearly defined and institutionalized. These three processes represent critical steps in Morocco's decentralization efforts.

Each of the Mission's SOs/SpOs is managing programs that are directly affected by the processes of local socio-economic development planning and budgeting, either at the regional, provincial, or communal level. Through limited technical assistance to the SMD Region and targeted technical assistance to selected provincial councils and communes in the SMD, the CCT will help develop guidelines for participatory local plan development, subsequent budgeting and activity implementation.

The primary objective is the development of participatory planning mechanisms which take into account various public and private sector roles and responsibilities to arrive at an integrated locally-driven set of results. The establishment of effective public-private partnerships shall be encouraged. Our interest is from the provincial level down to the communal level, and the linkages between these levels and the Region. To be most effective, the technical assistance shall cover a 2-year planning cycle that overlaps with at least 2 years of implementation. Once a series of planning and implementation best practices are developed, USAID shall look to disseminate them to other provinces in the SMD, and inform policy decisions at the regional and central levels. It is envisioned that the G/ENV/UP Sustainable Urban Management (SUM) IQC shall be used. A LSGA shall be signed with the Regional Wilaya of the SMD or the governor of the selected province. Estimated LOP cost: \$750,000. FY2000-01 cost: \$500,000.

### Activity 3: Support for Gender Integration -- Technical Assistance and Training

The objective of this activity is to provide SOs/SpOs and the CCT with specific technical support on gender-related issues. This activity would access expertise, as needed, to enhance the impact of interventions and to ensure that gender concerns are integrated into Mission activities. Each sector will benefit from this activity since it increases quality at the start of activities and success during implementation for interventions in the SMD. Morocco-based lessons learned and experiences will be reviewed and incorporated, where appropriate, into the requested technical assistance.

#### Illustrative Support Activities:

- Undertake targeted social/gender analysis in communities in which USAID activities are planned. The objective of social social/gender analysis is to ensure that development projects enhance social inclusion, strengthen social cohesion, and increase social capital. The analysis will provide the CCT, SOs/SpOs with the socio-cultural and demographic characteristics of populations, the social organization of productive activities and of social services, and the social strategy for project implementation. The process will also ensure the participation of key stakeholders, including the poor as well as excluded social groups. Results of the analysis would inform the design and implementation of interventions in one or more sectors.
- Provide training to USAID/Morocco counterparts at the local and regional level on gender concerns in planning and decision-making. Also, provide training to USAID/Morocco contractors and other implementing partners in approaches and tools for integrating gender into design and implementation of development activities. The training activities would serve three functions: 1) sensitize our implementing partners to the impact of a gendered approach; 2) encourage our implementing partners to pay special attention to gender concerns in their planning process; and, 3) promote effective outreach to women and girls.
- Provide recommendations for utilizing tools of gender integration as a way to build linkages between SOs and between the CCT IRs. Assist in the development of gender-sensitive performance monitoring plans and evaluation tools for the CCT and SOs/SpOs. Also, assist in developing/improving reporting strategies on gender-related activities.
- Design needs assessments, customer surveys, and sector assessments which focus on gender-differentiated constraints for SO/SpOs.

The CCT would support an activity that provides these types of technical assistance, training and tools to all sectoral and cross-sectoral initiatives in the SMD region. The CCT has entered into discussions with G/WID concerning the use of the WIDTech contract mechanism, and the possibility of Global Bureau joint funding of some of the activities listed above. Estimated LOP and FY00-01 Cost: \$500,000.

#### Activity 4: Communication for Development Strategy

Information dissemination is at the heart of any development initiative. In the Souss-Massa-Draa information concerning the availability and benefits of particular services will be critical to assure their appropriate use. Improved availability of information also helps create a better consumer, i.e. one more likely to recognize and insist upon a higher quality service. Information dissemination can also promote improved behaviors and practices that increase the benefits of services.

Although USAID is supporting key development activities in the Souss-Massa-Draa in all sectors, the information dissemination component in each area is limited, largely due to lack of funding. Ideally USAID would support the development and implementation of a communication strategy which brings together key messages across the sectors which are appropriate to the SMD socio-cultural environment and use a variety of channels and media. Examples could include working with regional radio to disseminate radio soap operas in Berber which have imbedded relevant health, education, water use, women's empowerment and other messages. The strategy could also include mechanisms to promote newly available services, for example business services and lending opportunities. The contractor selected for implementation of this activity would work closely with Mission SO teams to assure that the strategy and messages fully consider appropriate technical elements as well as timing.

There are several potential mechanisms for implementation of this activity using either IQCs or field support mechanisms in the Global Bureau. Estimated LOP cost: \$1.0 million.

This activity is listed as a lower priority because it should be phased in later during the strategy period in order to have sector activities fully up and running prior to launching a communications effort. The anticipated start date would be in 2001.

#### Activity 5: Expansion of Micronutrient Activities in the SMD Region

Several studies have documented important nutritional deficiencies in micronutrients including Vitamin A and iron/folate in Morocco, particularly among women and children in rural areas. The Ministry of Health (MOH) considers reduction of micronutrient deficiency a public health priority. Under Sp07, USAID is helping the MOH and other partners including Helen Keller International (HKI) implement an action plan to reduce these deficiencies, with a focus on rural areas including the Souss-Massa-Draa. Nutrition issues, however, are particularly difficult to address from an exclusively health perspective and a much broader inter-sectoral approach is required to achieve better nutritional practices and resultant improved nutritional status of children.

HKI is implementing an inter-sectoral pilot project in several villages in the Zagora province. The pilot project is a collaborative effort between HKI, the Ministries of Health, National Education and Social Development, ONEP (water and sanitation parastatal), the International Trachoma Initiative (ITI),

WHO, USAID and local NGOs and community groups. Although HKI's interventions are much broader, USAID provides funding to:

- Develop and pilot short, additive modules on trachoma and nutrition to be used in elementary schools in the Zagora province;
- Support women's groups receiving literacy training, with specific modules aimed at trachoma prevention and good nutritional practices.

Expansion of select elements of this community-based pilot project is appropriate for receipt of additive resources through the CCT as it cuts across several different sectors and contributes to all three IRs. School-based activities to increase consumption of appropriate foods tie directly to objectives in SpO8 and contribute to improved capacity of government services. Literacy training implemented through NGOs is used as a tool to increase knowledge of behaviors to both prevent trachoma and improve nutritional practices. Literacy curricula includes information concerning water management practices, which impacts on trachoma, as well as the development of small gardens which contribute to improved nutritional status of children and provide opportunities for modest income-generation. These activities require the participation of women community members, who form special groups as a part of project activities, and contribute to their empowerment, as they become more active members of their community.

Crosscutting theme team resources would be used, over a two-year period to:

1. Introduce micronutrient and other nutrition-related modules at the Centre de Formation Initial (teacher training colleges) in the provinces in the Souss-Massa-Draa region with follow-up on their introduction and use at the school level.
2. Implement community-level projects for women in HKI pilot sites to include activities such as vegetable garden production to directly increase children's access to micronutrient-rich foods.
3. Replicate the use of nutrition-related modules for literacy training of women for other NGOs working in SMD with training and follow-up provided by HKI.

HKI would be provided field support fund through the G/PHN Micronutrient Operational Strategies and Technologies (MOST) project. Estimated LOP cost: \$100,000.

#### D. CCT Budget Summary

The table below provides a summary of funding requirements for each activity over the next two fiscal years. As mentioned above, the activities are listed in priority order. In addition, many of the activities can be expanded, contracted or phased differently, depending on the level and type of funding made available each year. There are some limitations to this flexibility, however.

Given FY00 budget allocations, primarily CSD funds are available for use by the CCT. However, given current guidance related to CSD funds, the Mission will find it very difficult to appropriately use these funds for the activities described above. Given the nature of the proposed activities, we are restricted to use CSD funding for no more than 30 percent of the LOP cost for Activities 1 and 4, but 100 percent of the LOP cost of Activity 5. Further, CSD funds should not be used to fund Activities 2 and 3. The problem of funding CCT activities with CSD funds will be further exacerbated next year given that we plan to obligate a full 30 percent of Activity 1 LOP with CSD funds this year. Although

Mission SOs are willing to contribute funding to CCT activities, additional non-CSD funding is required before the Mission can make full use of the CSD funding provisionally allocated.

**Proposed Budget Request**  
(\$000)

<b>Activity</b>	<b>FY00</b>	<b>FY01</b>
<u>Activity 1</u> : Integrated Community Development LOP: 3,000	1,000	1,000
<u>Activity 2</u> : Local Development Plans LOP: 750	250	250
<u>Activity 3</u> : Gender Technical Assistance LOP: 500	250	250
<u>Activity 4</u> : Communications Strategy LOP: 1,000	--	500
<u>Activity 5</u> : Micronutrients LOP: 100	100	--
<b>TOTAL</b>	<b>1,600</b>	<b>2,000</b>

## IV. Proposal III: Special Objective 9: Democracy/Governance Strategy

*Demonstrated increased capability and active participation  
of civil society NGOs in support of citizen rights*

Vision Statement: U.S. Mission in Morocco seeks, within its democracy and governance (DG) program, to contribute to a more vibrant democratic process in Morocco, characterized by an enhanced civil society program, greater transparency in government and stronger respect for human rights and women's rights. We wish to support the implementation of a vision of a more democratic Morocco articulated by King Mohammed VI in a recent speech:

*We wish to lay out a new concept of authority, a concept based on protection of public services, of local affairs, of individual and collective liberties, for the protection of security and stability and for the maintenance of social peace.... A proper approach should permit all citizens, without consideration of power or position, to participate and be part of the process to obtain conditions of comfort and prosperity.*

King Mohammed VI  
Casablanca, 10/12/99

### A. Background, Problem Analysis and Target Group

#### 1. Background

Recent political developments in Morocco, particularly the formation of a new reform-oriented government and the ascension of a new King, present unique opportunities for the growth of democracy in the country and for U.S. assistance to the process of democratization. Not only is democracy-building essential for equitable growth and prosperity in Morocco (e.g., democracy helps to enable market-based economic activity), but it also is consistent with broad U.S. national interests and will contribute directly to the achievement of USAID's social and economic development results in the country.

While moves in the direction that the King urges have been gradual, the overall result has been encouraging, especially when viewed from two perspectives: Morocco's current situation compared to other countries in the region, and progress in the country within the last decade. Given the potential for further progress, the U.S. Mission's interagency Democracy Working Group (DWG) firmly believes that now is a critical time to develop and implement a focused, multi-year democracy strategy in the country, in partnership with the Moroccan public and private sectors. A strategic intervention will support broader U.S. interests to promote democracy, prosperity and stability not only in Morocco, but also in the region.

With a program targeted at achievable objectives and focused on limited areas of involvement, the DWG proposes U.S. assistance in the four areas outlined herein. And because the move towards greater democracy is often a slow one, the DWG believes a long-term, strategic approach to U.S. assistance is the most effective way to help Morocco achieve significant results.

## 2. Problem Analysis<sup>1</sup>

Morocco currently finds itself at a historical juncture which presents an enormous opportunity for the country itself and also for the U.S. Government to assist in promoting democracy and governance, both within Morocco and within the Middle East/North Africa (MENA) region. The opportunity lies in:

- the appointment of a former opposition leader as the head of a new government in 1998 with a clear mandate for economic and political liberalization;
- the smooth transition from King Hassan II to King Mohammed VI who has made major public statements in support of human rights and equitable social development;
- the strong will for change already demonstrated by the new King; and
- greater liberalization of the press and greater freedom of expression.

Indeed, since the late 1980s, the Kingdom has made significant advances in the DG area. These include an expanded scope, prominence and visibility for/of civil society, enormous progress in the human rights area, a broadening of freedom of expression, efforts to make parliament a more central and visible institution, and some progress towards decentralization. Democratization measures have been introduced gradually and cautiously, with considerable cumulative impact. These achievements need to be consolidated to provide a firm foundation for further progress.

Areas for further progress include:

- The full participation of civil society NGOs according to new regulations that permit greater flexibility for NGOs to meet and organize, raise funds and effectively lobby government. The NGOs themselves should seek greater institutionalization with reliance on professionals to run their day-to-day activities. Campaigns by NGOs and the Government to raise consciousness in the areas of human rights, women's rights and democratization should become consistent and nation-wide activities;
- The adoption by the GOM of a plan to enhance the full participation of women in the national development effort would greatly enhance democracy and prosperity in Morocco;
- Rule of law: The adoption by the GOM of judicial reform to enforce transparency, root out corruption and introduce new efficiency measures in the administration of justice; and
- Decentralization: The role and independence of locally elected communes and newly emerging neighborhood associations should be enhanced and spread.

The U.S. has considerable comparative advantage for assisting Morocco, directly or indirectly, in some of the above priority areas. Indeed, USAID/Morocco's recently approved Country Strategic Plan for 2000 – 2005 will assist Morocco in the many of these areas. For example, Strategic Objective (SO 5) will assist in the rule of law, judicial reform and administration of justice, but with a specific focus on the commercial sector. All of our programs -- in private enterprise, water/environment, health/population, and basic education -- support decentralization, civil society and the participation of women. Further, through a Global Bureau activity, USAID is supporting the National Democratic Institute (NDI) and the International Republican Institute (IRI) in their efforts to strengthen Moroccan political parties and the parliament.

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<sup>1</sup> Excerpted from "Democracy Assessment of Morocco," "Morocco's Advocacy Groups Under the Youssoufi Government: Assessment and Suggestions for Assistance," Guilian Denoeux, Management Systems International, 1998 and 1999, respectively.

### 3. Target/Customer Group

The target groups for this special objective include (a) leaders and innovators in civil society groups that promote legal advocacy, human and women's rights; (b) leaders in governmental and non-governmental institutions focussing on legal reform and strengthening the rule of law; and (c) officials and leaders at the national, regional and local levels in government and the private sector involved in developing new methods and approaches of decentralized governance and administration.

#### **B. Links to Agency and Mission Strategic Goals**

SpO 9 has been developed in direct support of the U.S. Mission's Program Plan democracy goal. As such, it is based on ideas and programs developed by the U.S. Mission's interagency Democracy Working Group (DWG). The DWG will continue to provide guidance and overall direction to activities to be implemented under SpO 9. SpO 9 also supports the Agency's strategic goal, "Sustainable Democracies Built," and USAID/Morocco's program goal of "Expanded resource base and capacity for sustainable development."

#### **C. Performance Measurement**

The performance indicator at the special objective level is:

- Demonstrated increased capability and active participation of civil society NGOs in support of citizen rights.

As a result of this SpO, we will have helped in the overall liberalization occurring in Morocco. Civil society has been the most hopeful manifestation of a maturing society and a citizenry that is ready to play its role as a full partner in the development process. We will have helped civil society NGOs reach their goals of institutionalization and effective outreach to both the public they represent and the government they hope to influence. We will do this by offering American expertise in management, fund-raising, and mobilization skills, as well as sharing successful American models. We will help to fund some of the excellent ideas that Moroccan activists have, but lack resources to implement. As a result, we will have assisted the GOM and NGOs in transitioning to a society based on the rule of law. With assistance proposed in this SpO, combined with other USAID assistance, we will have contributed to fully functioning commercial courts, and a credible system of justice that has the confidence of the country's citizens, and that protects their human rights. We will also have increased women's legal literacy, based on Morocco's commitments to internationally recognized women's rights.

This SpO is both short-term and experimental. Over the next two years (FYs 2000-2001), the U.S. Mission will launch a series of targeted activities aimed at catalyzing increased participation of civil society in democratic processes. Progress will be qualitatively assessed periodically, with the support of expert consultant assistance from G/DG, and reported annually in USAID/Morocco's Results Report and Resource Request (R4) submission as well as the Mission Program Plan (MPP). A key element of these assessments will be analysis of anecdotal as well as widely recognized evidence of increased democratization within Moroccan society, combined with pivotal interviews with key public and private sector personalities who are intimately knowledgeable of political developments in Morocco.

Given the short-term, experimental and catalytic nature of the proposed assistance, and the rapidly evolving “democracy context” in which we are working, we will not be developing a detailed results framework (RF) and performance monitoring plan (PMP) for the SpO. Rather, concurrent with implementation of a set of experimental and catalytic activities, the U.S. Mission will begin to lay the analytical foundation for a more substantial and longer-term strategic objective on DG provided that democratic progress continues apace, we anticipate developing and submitting for Washington’s review and approval, another CSP Addendum during FY2001 justifying a full DG SO. This proposal will include a full RF, PMP, and request for a U.S. direct-hire DG position in USAID/Morocco.

#### **D. Program Areas<sup>2</sup>**

Activities in four sub-sectors will help to ensure achievement of the special objective. Activities will be launched and carefully assessed for overall impact on democratization in Morocco.

##### **1. Civil Society**

Despite considerable progress in the civil-society arena, three main constraints to further success remain. The first constraint concerns both the restrictive legal framework controlling non-governmental organizations (NGOs) and inconsistency in applying the existing laws and regulations, however restrictive they might be. The second constraint is weak civil-society institutional systems, including poor staff professionalism, insufficient financial resources and a lack of strategic vision. The third constraint is limited organizational outreach and interaction with the public sector.

Several factors indicate a healthy environment for increased civil-society participation in the decision-making process. The more liberal political outlook adopted by the late King has been expanded by King Mohammed VI. This has dramatically leveled the playing field for advocacy groups, while a parallel retreat of government from certain sensitive areas in which it formally held tight control also has broadened access of civil society to the political process. Both of these developments have coincided with repeated expression by the public-sector of the importance of the non-public sector (i.e., private sector and civil society) in the country’s development. All of this has led to expanded freedom for civil society organizations to discuss and debate their issues publicly. The government has proposed a new legal framework to guide the formation and operations of NGOs. Concurrently, improved media coverage of advocacy-group activities has increased their visibility and public recognition, and expanded their audience.

The Mission is currently engaged in a two-track program designed to strengthen the organizational capacity, effectiveness, public standing and outreach efforts of Morocco’s increasingly vocal and influential civil society advocacy community. The first element is participation in a regional small grants program under which we will provide between \$5,000 - \$24,000 directly to civil society advocacy NGOs, on a competitive basis, for DWG-vetted projects. This program is being managed by the Public Affairs Office of the Embassy, under the direction of the DWG. Funding is being provided directly from USAID/Washington to the NEA Office of Public Diplomacy in the Department of State. While participation in this regional program is on a “first-come, first-serve” basis, we include in the Resource Request section of this paper (section 8 below) an indicative level of resources for Morocco.

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<sup>2</sup> We acknowledge USAID Global Bureau’s support of work by the National Democratic Institute (NDI) in Morocco. This activity, which will end in FY2000, is helping to strengthen the institutions of parliament and political parties.

The second element of our civil society program will strengthen organizational capacity and provide technical training to national level advocacy NGOs. A U.S. contractor will provide training in partnership with four U.S. advocacy PVOs and a Moroccan coalition NGO (i.e., a federation of NGOs). Beyond the initial training, the Mission will provide appropriate follow-up technical assistance, stimulate networking between Moroccan and U.S. advocacy PVOs/NGOs, and organize relevant study tours to the U.S. to further strengthen Moroccan organizations.

## 2. Rule of Law and Respect for Human Rights

Perhaps the greatest constraint to improved rule of law and the equitable administration of justice in Morocco is in the rank and file of the judicial system, where the ability, resolve and systems to carry out reform are lacking. This causes the persistent perception that laws are applied inconsistently and unfairly, and that justice is based more on one's contacts and personal relationships than on the laws themselves.

Considering the direct relationship between positive trends in rule of law and achieving the program objectives, the DWG team places a high priority on working in this area. Calls for judicial reform and equitable administration of justice are coming from the highest levels of government, including King Mohammed VI himself. With great candor, the King has admitted to "*a series of structural hindrances, lack of clarity in decision-making centers and a gap existing between the spirit and the letter of the law.*" This stalls the country's economic growth and squeezes many Moroccans out of participation in the country's legal system. In response, the King has called for improved "*judicial mechanisms to combat these practices.*"

Other key players also are calling for change, including Minister of Justice, Omar Azziman, who also is a founding member of the Moroccan Organization for Human Rights, and his chief of staff, Secretary General of the Ministry of Justice, Ahmed Ghazali. With their combined leadership, a reform effort is already underway within the central administration of the ministry itself.

Important overtures also are being made by the government in the area of human rights, including the stated intention of the Minister of Human Rights to develop stronger ties between his ministry and human rights NGOs. He also has plans to strengthen the understanding of, and respect for, such rights throughout the country.

Civil-society advocacy groups also are entering the reform effort in a dynamic way. These groups include *Maroc 2020* and *Transparency Maroc*, both already committed to fighting corruption in the legal system and possessing the capacity to make a difference.

The U.S. Mission's current effort in the rule of law field is a bilateral activity with the Ministry of Justice, focused primarily on supporting the Ministry's new commercial court system. This is an activity under USAID/Morocco's SO5, Economic Growth/Private Enterprise Development, and is being implemented in conjunction with a Global Bureau regional rule of law program with the assistance of the International Foundation for Election Systems (IFES). Funding for this activity, thus, is from two sources -- USAID/Morocco's DA budget and the interagency regional democracy fund via the Global Bureau. Strategic and policy guidance for this activity is provided from the U.S. Mission's Prosperity Working Group, apart from the Democracy Working Group.

As part of our Democracy/Governance Strategy, the Mission will add two new elements to our rule of law program, which will be under the policy direction of the DWG. The first is an activity to establish a nation-wide human rights monitoring network in cooperation with Morocco's two main human rights organizations – *Organisation Marocaine des Droits de l'Homme (OMDH)* and *Association Marocaine des Droits de l'Homme (AMDH)*. This activity will provide training in the basic elements of human rights reporting and advocacy, and will develop the skills necessary to work effectively with local authorities and the general public to advance respect for human rights. The training will also assist Moroccan human rights organizations in developing the capacity to sustain a national training program for human rights monitors.

The second new element of our rule of law program will support recent GOM moves to establish code of ethics focal points in each ministry, as a step in the direction of establishing a government-wide code of ethics. This activity will provide study tours in the U.S. for civil servants in these positions to expose them to the structures and policy frameworks of their U.S. counterparts. We will seek to balance these study tours for civil servants by including influential civil society leaders whose organizations may play potential “watch-dog” roles in monitoring and encouraging the GOM's progress in establishing and implementing a code of ethics.

### 1. Decentralization

Vested, national-level interests that are unwilling to give up control present the greatest constraint to decentralization. Adding to this problem, many local government institutions charged with implementing decentralization lack the ability (staff, systems and financial resources) to function effectively. The King's position on decentralization and deconcentration is unambiguous: *“Decentralization cannot reach its anticipated objectives,”* he said in a recent speech, *“unless it is engaged at the same time in a process of deconcentration...a transfer of the prerogatives from the central authority to its local delegates.”*

The King has also made clear his intention to see both responsibilities and authorities devolve to local bodies as a means of enhancing citizen participation in the political, social and economic life of the country. The decentralization reforms of 1996-97 reinforced and reinvigorated the region as a political, administrative and budgetary entity. The King has called for significantly greater authority and a more direct role for elected regional councils in the development process.

The DWG proposes to engage in selected areas at first and then expand its support as Morocco's commitment to decentralization is further manifested and as the DWG's management capacity and financial resources increase. A three-track approach is envisioned. The first track will encourage the devolution of authority and responsibility within government ministries. It will support government's efforts to push decision-making down to local levels where they could be more consistent with local needs. The second track will help to empower local government bodies (both elected and appointed) to receive and representatively act upon delegated authorities and responsibilities. The third track will strengthen the role of local non-governmental organizations and reinforce their efforts to work cooperatively with local authorities to shape local decision-making on matters of public interest.

Each track would entail the provision of technical assistance, training and study tours, and focus on the development and institutionalization of appropriate policies and mechanisms that support democratic decentralization. Further, U.S. models and experiences are highly regarded and sought after by Moroccan counterparts. The first year's activities within each track shall focus on an adaptation and

transfer of such models, and the initiation of programs that build local government and NGO good governance capacity and effectiveness using a participatory approach.

## 2. Women's Legal Rights

His Majesty, King Mohammed VI, accurately summarized the constraints facing Moroccan women:

*“...how can we experience complete development when our rural areas contend with problems that force the inhabitants to abandon the land, which God has made a source of abundance, to go to the cities?...How can we hope to achieve progress and prosperity when women, who constitute half of our population, see their interests scorned, without taking into account the rights which our noble religion has granted them along with men?...We do not have a magic wand with which we can pretend to resolve all these problems and others, but we are firmly determined to face them...”*

King Mohammed VI  
Rabat 8/20/99

The legal system, cultural practices and social norms continue to create a number of serious obstacles for equal access to services, resources, and protection by the law for women in Morocco. Poor health services, illiteracy, domestic violence, and economic marginalization are common problems. In addition, Morocco suffers from an urban-rural dichotomy with rural women living under extremely unfavorable and oppressive conditions.

Moroccan activists have been engaged in the struggle for improving the status of Moroccan women for over three decades. Women's human rights NGOs, although concentrated mostly in the major cities, have been effective in moving the dialogue forward in the public arena. The Secretariat in charge of Social Protection, the Family and Children is supporting an Action Plan for the Integration of Women in Development, which was developed by a group of women's advocacy NGOs with the support of the Secretariat. This document has become the rallying point for a large network of NGOs concerned with women's issues. The Action Plan has attracted considerable support from some elements of society as well as heavy criticism from others. This has resulted in an intense national debate on the role of women in society, their rights and privileges, and their status under the law.

However, since the proliferation of NGOs in Morocco is a relatively recent phenomenon, many of these organizations need extensive training in effective lobbying, management, and outreach. They would benefit enormously from support in institution development, networking, and advocacy. While other USAID programs target women through sector specific activities such as health and education, SpO 9 proposes a highly specialized activity targeted towards improving advocacy for women's rights. This will be accomplished under the rubric of a Global Bureau regional activity, Promoting Women's Advocacy and Legal Rights in Morocco.

### **E. Critical Assumptions and Contingencies**

This strategy is based on the following key assumptions:

- The environment in Morocco and the will, both within the public and private sectors, for a concerted push toward greater democratization will remain positive.

Contingencies that could impact upon this include the recent spate of high- and mid-level changes in leadership, with appointments of yet-to-be-tested appointees; the ability of parliament to actually pass

a number of reform measures being proposed; the stepped-up pace of social dialogue on pivotal issues such as women's rights and labor unions; and the general sense of disbelief of the average Moroccan in the integrity of government.

This is a country in transition. The good news is that a pro-change King is on the move, and Moroccans are now hopeful. As in all transitions, however, changes remain fragile until a certain threshold is passed. Change in the "old guard" has just begun, and many holdovers from the old system are still in place, particularly in lower and middle levels of government. Moreover, changes in personnel are only a part of the story – a new/updated systems and approaches will need to be adopted. Government will have to follow-through on new initiatives signaled by the King. Dialogue among the government, labor unions and employers must progress if important economic and bureaucratic reforms are to be implemented. Currently marginalized yet important elements of society (e.g., the Islamists) must be engaged in the reform dialogue, as they have the power to delay and thwart socio-political reforms. Thus, the challenges are many. This is, however, precisely the reason that our support is critical to help empower the forces of change in Morocco.

- State Department and USAID resources (in terms of strategic priority, program budget and staff) will continue to be available to develop, implement and assess the impact of this program.

This SpO will enable the U.S. Mission to be a positive influence for change, while we concurrently develop a foundation for a more substantial and longer-term strategic objective.

#### **F. Links to Other Strategic/Special Objectives**

By providing broad support and encouragement to democratization and good governance across a wide spectrum, SpO 9 will help to provide a much more positive environment within which all other USAID's more technical programs can operate and have a better chance to succeed. USAID/Morocco will be on the alert to identify and capitalize upon lessons learned in promoting democracy and decentralization in technical ministries, to determine how these may improve chances for success in SpO 9, and *vice versa*.

More specifically, expansion of the Mission's rule of law program, beyond the current focus on commercial courts and related administration of justice matters, will be done in close cooperation with SO5 and the Prosperity Working Group, to ensure application of lessons learned. The women's legal rights activity will be implemented in coordination with the Mission's Crosscutting Themes Team as it carries out a series of crosscutting gender activities that will broaden and deepen the overall impact of our program on women's issues.

#### **G. Other Donors**

Few other donor activities actually target democracy and governance in Morocco, while many provide assistance to civil society/NGOs. Governance is one of the key priority programs of the UN agencies. UNDP's strategy for the current 1997-2001 program cycle has three priority areas of concentration, one of which is "Modernization of Public Administration and Governance." UNDP's program supports locally elected officials, local participation, simplification and codification of legal texts on deconcentration, and improved national budget management. One of the UN's projects is "Support to Private Voluntary Organizations," with life-of-project funding of \$138,000. UNFPA's population and

health program includes two DG-related activities, "Plea for the Equity between the Sexes" and "Improvement of Civil Society System Performance."

Support to administrative reform is a top priority of the World Bank. The Bank has highlighted the gross inefficiency of a public administration that remains excessively centralized, employs far too many people and is marred by absenteeism, corruption and lack of transparency. Two large structural reform/decentralization loans have been developed (one pending). An evaluation review team visited Morocco in late 1999 to assess GOM's performance under the first loan (\$250 mil.) and to scope out plans for a possible follow-on loan of similar size. So far, the Bank has not been forthcoming in sharing with the donor community its plans for work in this area.

Other donors provide important support to civil society, at the national and local levels. About half of the European Union (EU) program for 1997-1999 (\$ 495 mil.) is reserved for socio-economic sectors, including considerable work with civil society. The French Development Agency (FDA) supports the development of civil society through grants to NGOs that submit sound proposals, but no clear focus on DG activities, per se, is indicated. German assistance, which focuses primarily on the environment, also works through five German foundations to provide grants to Moroccan NGOs. The Frederick Ebert Foundation supports NGOs on general civil society development and women's issues. The Hanns Siedel Foundation supports NGOs working on legal rights and administrative structure. In 1997, Spain provided grants to support the democratic process through the purchase of ballot boxes. One of Japan's four principles for worldwide assistance is "promoting democratization and market-oriented economy in a context of basic human rights and freedoms." Japanese assistance to Morocco has declined significantly over the last two years and does not include any apparent programs targeting democracy and governance.

During development of the proposed DG SO in FY2001, the U.S. Mission will clarify its understanding of the work of other donors in DG, and identify opportunities for coordination and collaboration.

## **H. Resource Requirements**

Program Budget: Initially, the DWG proposes a two-year commitment of ESF resources under a special objective to provide an initial basis for strategic U.S. support to democratization in Morocco. These resources would complement our FY99 ESF DG allocation,<sup>3</sup> and would be allocated across a variety of program elements, ranging from Morocco's participation in ANE regional programs, to a series of targeted bilateral activities. Assuming continued progress, during FY2001, the DWG will amend this strategy statement with a proposal for a full SO lasting an additional three years or longer, as warranted.

Initially, the U.S. Mission proposes that this program be funded by ESF resources from the Middle East Democracy activity. Subject to the availability of resources, the DWG envisions that Development Assistance (DA) funds in the Democracy/Governance (DG) area will become available for Morocco, to compliment available, but likely declining, ESF resources, and to firmly anchor our program within USAID's long-term development assistance programs in the MENA region.

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<sup>3</sup> Two-year funds were approved during the third quarter of FY99, but not received until the first quarter of FY00.

**SpO 9 Budget**  
(\$000)

<b>Program Element</b>	<b>(FY99)</b>	<b>FY00</b>	<b>FY01</b>
Civil Society:			
-- Small Grants	150	150	150
--Advocacy NGOs	300	300	400
Rule of Law/Human Rights:			
--HR Monitoring	--	125	150
--Ethics in Gov't.	--	125	150
Decentralization	--	400	500
Women's Rights	300	300	--
<b>Total</b>	<b>750</b>	<b>1,400</b>	<b>1,350</b>

**Staffing:** In late FY99, the DWG proposed and received from Washington approval and funding to recruit a local-hire PSC democracy/governance specialist. Recruitment is currently underway, and the selected candidate is expected to be on board in early CY 2000. This position will be located in the Program Team, Office of the Director of USAID/Morocco. The incumbent will:

- manage any grants/contracts in support of the civil society and rule of law activities, and
- coordinate and monitor all other DG activities, in cooperation with the direct managers of those activities (see figure below).

With the submission of a strategy addendum in FY2001, the U.S. Mission will also propose and justify establishing a U.S. direct-hire DG position in USAID/Morocco to manage the strategic objective.

**DWG Activities Managers**

<u>Program Element</u> <b>All Elements</b>	<u>Who</u> <b>DG Specialist</b>	<u>Location</u> <b>USAID/Morocco</b>	<u>Activity</u> <b>SpO Coordinator</b>
Civil Society	DG Specialist Small Grants Manager	USAID/Morocco Public Affairs Office	Civil society and rule of law grants/contracts Civil society small grants program
Rule of Law	Activity Officers DG Specialist	Global Bureau USAID/Morocco	Regional rule of law program Human rights monitoring network Ethics in gov't. program
Decentralization	Regional Urban Development Office	USAID/Morocco	Decentralized authorities Local gov't. capacity building Participation of civil society/NGOs in decision-making
Women's Rights	Activity Officer WID Officer	Global Bureau USAID/Morocco	Regional women's legal rights Program

**Attachment 1**

**Country Strategic Plan Approval Cable**

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APPROVED BY: AID/AA/ANE:RCRANDOLPH AID4397

AID/DAA/ANE:JWILKINSON AID/ANE/MEA:KFINAN

AID/ANE/SEA:DROBINSON[DRAFT] AID/G/PDSP:RWHITAKER

AID/PPC:DPRINDLE[DRAFT] AID/M/B:WDARKINS[DRAFT]

AID/ANE/SEA:JBRESLAR[DRAFT] AID/ANE/ORA:MLEWELLEN

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ADM AID FOR MISSION DIRECTOR JAMES BEDNAR

E.O. 12958: N/A

TAGS:

SUBJECT: COUNTRY STRATEGY ADDENDUM APPROVAL

1. SUMMARY: ON MARCH 10, 2000, DEPUTY ASSISTANT ADMINISTRATOR JOHN WILKINSON APPROVED AN ADDENDUM TO MOROCCO'S COUNTRY STRATEGY PLAN (CSP). MR. WILKINSON COMMENDED THE TEAM ON THE WEEKLONG PRESENTATION AND, IN PARTICULAR, THE REMARKS OF AMBASSADOR ED GABRIEL ON THE IMPORTANCE AND TIMELINESS OF USAID'S RESPONSE TO

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MOROCCO'S RAPID LIBERALIZATION AND DEMOCRATIZATION PROCESS.

MR. WILKINSON ALSO COMMENTED ON THE LARGE AMOUNT OF POSITIVE INTEREST MOROCCO'S SMALL PROGRAM GENERATES AMONG THE USAID/W STAFF.

2. USAID/W ENDORSED THE ACTIVITIES PROPOSED FOR SO 7, ECONOMIC GROWTH, AND AGREED TO SUSTAIN FUNDING [SUBJECT TO THE AVAILABILTY OF FUNDING] FOR THE SO AS CURRENTLY BUDGETED FOR FY 2000, AND AT THE BASE LEVEL--\$2 MILLION--FOR FY2001. ROADMAP III ACTIVITIES, UNDER THIS SO, WILL NEED TO BE FUNDED

THROUGH THE U.S-NORTH AFRICA ECONOMIC PARTNERSHIP (USNAEP). USAID/W ALSO AGREED TO PROVIDE THE MISSION AN ADDITIONAL \$500,000 PER YEAR FOR FYS 2000 AND 2001

TO "JUMP START" THE CROSSCUTTING THEMES ACTIVITIES IN THE SOUS-MASSA-DRAA RIVER BASIN. FINALLY, USAID/W APPROVED THE ADDITION OF A SPECIAL OBJECTIVE FOR DEMOCRACY AND GOVERNANCE (DG), A SET OF EXPERIMENTAL ACTIVITIES TO BE FUNDED SOLELY WITH ESF FROM THE MIDDLE EAST REGIONAL DEMOCRACY FUND. END SUMMARY.

3. THE ADDENDUM: LAST YEAR, THE ANE BUREAU CONDITIONALLY APPROVED MOROCCO'S CURRENT CSP. THIS APPROVAL REQUIRED THE MISSION TO PROVIDE DETAILS ON THE ECONOMIC GROWTH STRATEGIC OBJECTIVE, SO 7, THAT IS, SPECIFIC IMPLEMENTATION PRIORITIES, ACTIVITIES, AND PARTNERS FOR FY 2000 AND 2001. ALSO, THE MISSION WAS DIRECTED TO PROVIDE DETAILS ON CROSSCUTTING THEME ACTIVITIES--GENDER AND PUBLIC PRIVATE

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PARTNERSHIP--WHICH WOULD DEMONSTRATE THE ADDED VALUE AND JUSTIFY ADDITIONAL RESOURCES TO "JUMP START" THE CROSSCUTTING THEME EFFORT. THE ADDENDUM TO THE STRATEGY PROVIDED MOST OF THESE DETAILS, WITH THE EXCEPTION OF STRATEGIC OBJECTIVES' BASELINES AND TARGETS.

4. THE ADDENDUM PROPOSED ADDING A SPECIAL OBJECTIVE TO THE CSP FOR DEMOCRACY AND GOVERNANCE. THIS PROPOSAL WAS PREPARED BY THE INTER-AGENCY WORKING GROUP IN RABAT TO PROVIDE STRUCTURE AROUND THE DISPARATE DG ACTIVITIES BEING FUNDED THROUGH ANNUALLY ALLOCATED ESF RESOURCES AND TO HELP ADVANCE THE CURRENT DEMOCRATIZATION PROCESSES IN MOROCCO.

5. THE PRESENTATION AND MEETINGS: THE MOROCCO TEAM, CONSISTING OF JIM BEDNAR--DIRECTOR, BRAD WALLACH--TEAM LEADER FOR ECONOMIC GROWTH, AND TINA DOOLEY-JONES--TEAM LEADER FOR CROSSCUTTING THEMES, GAVE AN EFFECTIVE SLIDE PRESENTATION ON THE CHANGES TO THE CSP PROPOSED IN THE ADDENDUM. U.S. AMBASSADOR EDWARD GABRIEL SPOKE AS WELL, EMPHASIZING THE RECENT CHANGES IN THE POLITICAL CLIMATE IN MOROCCO AND THE IMPORTANT OPPORTUNITIES THESE CHANGES HAVE CREATED FOR U.S. LEADERSHIP IN THE REGION. THE AMBASSADOR ALSO STRESSED THAT THE MISSION'S ADDENDUM AND ITS OVERALL STRATEGY IS A U.S-MISSION STRATEGY, WHICH EXACTLY PARALLELS THE GOVERNMENT OF MOROCCO'S OWN STRATEGY FOR MODERNIZATION, DEMOCRATIZATION AND LIBERALIZATION.

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6. THE MOROCCO TEAM ATTENDED SEVERAL WORKING-LEVEL MEETINGS WITH ANE, GLOBAL, AND PPC TO CLARIFY CERTAIN

ISSUES WITH THE ADDENDUM. THESE ISSUES CENTERED PRIMARILY ON CROSSCUTTING THEME ACTIVITIES AND THEIR FUNDING. WASHINGTON REVIEWERS ASKED FOR CLARITY ABOUT THE SPECIFIC VALUE ADDED BY THE CROSSCUTTING ACTIVITIES, ALTHOUGH THE GENERAL VALUE OF COORDINATED ACTIVITIES IN THE SOUS-MASSA-DRAA RIVER BASIN WAS CLEAR. HOWEVER, THE ADDENDUM CONTAINED NO QUANTITATIVE BASELINES OR PERFORMANCE TARGETS UPON WHICH STAFF OFFICERS AND MANAGERS COULD BASE DECISIONS.

7. THE ISSUES MEETING: REPRESENTATIVES FROM THE MISSION, ANE, GLOBAL, PPC, M, AND THE STATE DEPARTMENT MET ON MARCH 8TH TO DISCUSS ISSUES. THE MEETING BEGAN WITH AN EXPLANATION FROM USAID/W ABOUT THE SEVERAL COMPETING PRIORITIES THAT FACE THE ANE BUREAU AND THE DEARTH OF RESOURCES TO MEET THEM. THIS SET THE SCENE FOR THE FOLLOWING DISCUSSIONS.

8. DEMOCRACY AND GOVERNANCE SPECIAL OBJECTIVE: ANE BUREAU AND CENTER FOR DEMOCRACY AND GOVERNANCE (G/DG) REVIEWERS AGREED THAT THE PROPOSED DG SPECIAL OBJECTIVE (SPO) WAS AN APPROPRIATE FRAMEWORK TO SUPPORT THE PROMISING INITIATIVES LED BY MOROCCO'S NEW REFORM-ORIENTED GOVERNMENT AND INCREASINGLY VIBRANT CIVIL SOCIETY. THERE WERE NO TECHNICAL ISSUES RAISED CONCERNING THE ACTIVITIES PROPOSED UNDER THE SPO.

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9. USAID/W AND MISSION REPRESENTATIVES AGREED THAT THE MISSION WOULD ESTABLISH BENCHMARKS TO ASSESS DG DEVELOPMENTS IN MOROCCO, AND REPORT ANNUALLY -- BEGINNING IN THE 2003 R4 (MARCH 2001) -- ON PROSPECTS FOR CONTINUING FORWARD MOMENTUM IN DG. THIS INFORMATION WILL FEED INTO A REVIEW OF DG DEVELOPMENTS IN 2002, TO COINCIDE WITH THE MID-CYCLE COUNTRY STRATEGY PLAN REVIEW. USAID/W STATED THAT ANY DISCUSSION ON TRANSITIONING FROM DG SPO TO SO WOULD BE DEFERRED UNTIL THIS BROADER STRATEGY REVIEW AND UNDERTAKEN IN CONSIDERATION WITH THE NEED TO MAINTAIN PROGRAM FOCUS THROUGH A LIMITED NUMBER OF SOS. ALL PRESENT RECOGNIZED THAT THE SPO IS FULLY DEPENDENT ON ANNUAL ESF MIDDLE EAST REGIONAL DEMOCRACY FUND ALLOCATIONS.

10. ECONOMIC GROWTH: ECONOMIC GROWTH AND

DISCRETIONARY MONIES ARE NOT AVAILABLE TO FUND MOROCCO'S PROPOSED ACTIVITIES AT THE MISSION'S PREFERRED LEVEL. THE MISSION IDENTIFIED ROADMAP III ACTIVITIES AS ITS FIRST PRIORITY, FOLLOWED CLOSELY BY

A PACKAGE OF REFORM ACTIVITIES. THE MISSION ADDED IF THE ROADMAP ACTIVITIES COULD BE COVERED BY USNAEP-ESF RESOURCES, IF AND WHEN THEY BECOME AVAILABLE, THEN THE MISSION'S CURRENT ALLOCATION FOR ECONOMIC GROWTH COULD BE USED TO INITIATE THE REFORM PACKAGE. THE STATE REPRESENTATIVE GAVE GUARDED ASSURANCE THAT SUFFICIENT FY 2000 FUNDS FROM THE USNAEP WOULD BE ALLOTTED.

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11. RESPONDING TO A CONCERN OVER THE LARGE NUMBER OF MANAGEMENT UNITS THE MISSION WAS PROPOSING FOR ECONOMIC GROWTH OVER THE NEXT TWO YEARS, THE MISSION'S ECONOMIC GROWTH OFFICER EXPLAINED HOW EACH ACTIVITY HAD BEEN CAREFULLY RESEARCHED, CRAFTED, AND TIMED, WITH THE HELP OF THE APPROPRIATE GOVERNMENT OFFICIALS, TO MAKE THE GREATEST POSSIBLE CONTRIBUTION TO IMPROVE MOROCCO'S TRADE AND INVESTMENT REGIME WITHOUT PLACING AN UNDO MANAGEMENT BURDEN ON THE MISSION. IN ADDITION, HE POINTED OUT THAT THE MISSION'S FSN STAFF IS HIGHLY SKILLED IN THE RELEVANT ACTIVITIES AND COULD HANDLE THE WORKLOAD REQUIRED.

12. CROSSCUTTING THEMES: THE MISSION WAS CHALLENGED TO EXPLAIN WHAT RESULTS WOULD COME FROM INCREASED FUNDING OF \$3.6 MILLION FOR FY 2000 AND 2001. THE QUALITATIVE VALUE OF USING CROSSCUTTING ACTIVITIES AS THE GLUE FOR INTEGRATING AND IMPLEMENTING THE MISSION'S ACTIVITIES IN THE SOUS-MASSA-DRAA WAS EVIDENT. THE MISSION EXPLAINED THAT MOROCCO'S EXPERIMENTAL INTEGRATED DEVELOPMENT OF A LARGE RURAL RIVER BASIN WOULD HAVE GREATER RESULTS, ACHIEVE HIGHER INDICATOR LEVELS, AND REACH MORE TARGETS SOONER WITH THE ADDITIONAL FUNDING. SINCE THIS INTEGRATED APPROACH IS TO BE THE USAID'S "IMPLEMENTATION ENGINE" IN ITS FOCUS REGION, THE KICK-START FUNDING WILL GIVE THE PROGRAM A GREATER CHANCE FOR SUCCESS.

13. THE MISSION TEAM STRATIFIED THE CROSSCUTTING THEME ACTIVITIES BY PRIORITY AND COST, AND CLARIFIED WHAT COULD BE ACCOMPLISHED UNDER THE VARIOUS FUNDING

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SCENARIOS: FULL FUNDING OF THE FIVE ACTIVITIES AT \$3.6 MILLION FOR THE TWO-YEAR PERIOD; FUNDING OF ACTIVITIES ONE AND TWO AT \$2.25 MILLION FOR THE

TWO-YEAR PERIOD; PARTIAL FUNDING OF ACTIVITIES ONE AND TWO AT \$500,000 PER YEAR FOR THE TWO-YEAR PERIOD; AND NO ADDITIONAL FUNDING.

14. AT THE DECISION MEETING, MISSION DIRECTOR BEDNAR AGREED WITH THE ANE BUREAU'S RECOMMENDATIONS TO (1) USE THE MISSION'S FY 2000 DISCRETIONARY FUNDS SOLELY

FOR ECONOMIC GROWTH ACTIVITIES, (2) USE ESF FUNDS FROM THE U.S. NORTH AFRICA ECONOMIC PARTNERSHIP ALLOCATION FOR ROADMAP PHASE III ACTIVITIES, AND (3), SUBJECT TO THE AVAILABILITY OF FUNDS, COMMIT TO FUNDING THE MISSION'S ECONOMIC GROWTH ACTIVITIES IN FY 2001 AT THE BASE LEVEL OF \$2 MILLION.

MR. BEDNAR ALSO AGREED WITH THE ANE RECOMMENDATION TO INITIATE A DEMOCRACY AND GOVERNANCE SPECIAL OBJECTIVE WHOSE ACTIVITIES WILL BE FUNDED SOLELY WITH MIDDLE EAST REGIONAL DEMOCRACY FUNDS. FINALLY, THE MISSION AGREED TO PROVIDE PERFORMANCE BENCHMARKS AND INDICATORS OF THIS SPECIAL OBJECTIVE AS SOON AS POSSIBLE AND REPORT ON PROGRESS TOWARD THESE BENCHMARKS IN THE NEXT R-4.

DAA WILKINSON APPROVED THESE RECOMMENDATIONS.

15. REGARDING ADDITIONAL FUNDING FOR CROSSCUTTING THEME ACTIVITIES, THE ANE BUREAU, SUBJECT TO THE AVAILABILITY OF FUNDS WILL PROVIDE USAID MOROCCO WITH \$500,000 PER YEAR FOR FY 2000 AND 2001. THIS

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ADDITIONAL FUNDING WILL ALLOW THE MISSION TO INITIATE ITS CROSSCUTTING ACTIVITIES IN THE SOUS-MASSA-DRAA. RESULTS FROM THESE EFFORTS WILL FORM THE BASIS FOR FUTURE FUNDING DECISIONS.

16. FINAL GUIDANCE: WITH THE EXCEPTION OF THE EG AND DG STRATEGIC OBJECTIVES, USAID/W CONSIDERS BASELINE AND TARGET INDICATORS FOR THE MOROCCO PROGRAM TO BE OVERDUE. USAID/W EXPECTS TO FIND THESE IN THE RECENTLY RECEIVED FY2002 R-4. EG AND DG INDICATORS ARE DUE ASAP BUT NO LATER THAN THE FY 2003 R-4, WHERE WE EXPECT THEM TO BE REPORTED. FINALLY, A USAID/W TEAM WILL VISIT MOROCCO IN SEPTEMBER OR OCTOBER TO REVIEW PROGRESS ON THE SOUS-MASSA-DRAA PROGRAM IMPLEMENTATION.

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**Attachment 2**

**Crosscutting Themes  
Performance Monitoring Plan  
(PMP)**

**USAID/Morocco Performance Monitoring Plan  
2000-2005**

<b>Performance indicator</b>	<b>Precise definition of indicator/ Unit of measurement</b>	<b>Data source/ Set data quality</b>	<b>Evaluation method/ Approach to data collection</b>	<b>Timing and frequency of data collection</b>	<b>Responsible person/Office</b>
<p><b>Crosscutting Theme Team:</b> Improved Quality of Life in the Souss-Massa-Draa Region  <b>CCT:</b> Increased Use of Quality Services in the SMD</p>					
<p><i>CCT Objective Level</i>  <i>Indicator 1:</i>                      Number of households with improved water and sanitation services</p>	<p>Number of households acquiring water and/or sanitation services with USAID assistance (including through loan guarantee programs).</p> <p><i>Unit of Measure:</i>                      Household, disaggregated by male and female head of households</p>	<p>Reports from government partners and implementing partners (CRS/NEF and contractors).</p> <p><i>Data Quality:</i>                      Data should be precise based on previous experiences of RUDO/Rabat and SO2/EUP in the collection of this data</p>	<p>Quarterly and annual reports; project pre-implementation surveys; site visits and meeting minutes with local authorities and civil society; special studies.</p>	<p>Semi-Annual and Annual</p>	<p>CCT Team Leader/SO6</p>
<p><u>Comments/Notes:</u>                      USAID's attribution rates calculated by the Environment and Urban Programs Office.</p>					

**USAID/Morocco Performance Monitoring Plan  
2000-2005**

Performance indicator	Precise definition of indicator/ Unit of measurement	Data source/ Set data quality	Evaluation method/ Approach to data collection	Timing and frequency of data collection	Responsible person/Office
<p><b>Crosscutting Theme Team:</b> Improved Quality of Life in the Souss-Massa-Draa Region  <b>CCT:</b> Increased Use of Quality Services in the SMD</p>					
<p><i>CCT Objective Level Indicator 2:</i></p> <p>Boys and Girls Primary School Age Enrollment Rates</p>	<p>Adjusted Gross enrollment rate: number of children of primary school age enrolled in primary schools in SMD provinces for a specific year, divided by the total number of eligible children in the same provinces.</p> <p><i>Unit of Measure:</i> Percentage of primary school age children in each SMD province who are enrolled in school; disaggregated by boys and girls.</p>	<p>MEG and GOM statistics</p> <p><i>Data Quality:</i> Good</p>	<p>Data is collected at the schools (collection takes place on the same day for the entire country), consolidated at the MNE provincial delegation and then sent to the central ministry statistics unit.</p>	<p>Annual</p>	<p>SpO8 Activity Manager</p>
<p><u>Comments/Notes:</u></p>					

**USAID/Morocco Performance Monitoring Plan  
2000-2005**

Performance indicator	Precise definition of indicator/ Unit of measurement	Data source/ Set data quality	Evaluation method/ Approach to data collection	Timing and frequency of data collection	Responsible person/Office
<p><b>Crosscutting Theme Team:</b> Improved Quality of Life in the Souss-Massa-Draa Region  <b>CCT:</b> Increased Use of Quality Services in the SMD</p>					
<p><i>CCT Objective Level Indicator 3:</i>  Number of small and micro credit borrowers</p>	<p>Number of small and micro credit borrowers  <i>Unit of Measure:</i> Number of credit borrowers, disaggregated by male and female borrower.</p>	<p>Al Amana loan documentation; SO5 MFA reports.  <i>Data Quality:</i> Data should be precise based on Al Amana loan documentation.</p>	<p>Quarterly and annual reports; Al Amana site visits and meeting minutes with agents.</p>	<p>Annual</p>	<p>SO5 Activity Manager</p>
<p><u>Comments/Notes:</u></p>					

**USAID/Morocco Performance Monitoring Plan  
2000-2005**

Performance indicator	Precise definition of indicator/ Unit of measurement	Data source/ Set data quality	Evaluation method/ Approach to data collection	Timing and frequency of data collection	Responsible person/Office
<p><b>Crosscutting Theme Team:</b> Improved Quality of Life in the Souss-Massa-Draa Region  <b>CCT:</b> Increased Use of Quality Services in the SMD</p>					
<p><i>CCT Objective Level Indicator 4:</i></p> <p>Total Couple Years of Protection (CYP) in public and private sectors in the Souss-Massa-Draa</p>	<p>CYP is an estimate of protection against pregnancy provided by FP services during a one-year period based upon the volume of contraceptives distributed.</p> <p><b>Unit of Measure:</b> CYP is calculated by using the following conversion factors: IUDs=3.5 CYPs, 15 cycles of pills=1 CYP, 120 condoms=1 CYP, VSC=8 CYPs, Norplant=3.5 CYPs, 4 injectables [Depo]=1 CYP</p>	<p>Total CYP will be calculated using data from several sources: Private sector data will be collected from the CMS program (contractor staff) and the pharmaceutical industry (IMS) annual report on private sector sales. Public sector data will be from MOH provincial level service statistics.</p> <p><i>Data Quality:</i> Moderate</p>	<p>For public sector data - contractor staff will obtain health district data directly from the local MOH Provincial Delegations and calculate CYP according to USAID conversion factors.</p> <p>For private sector data – the contractor will collect private sector sales data which will be validated by the IMS annual report.</p> <p>USAID will validate data quality through document review and field visits as necessary.</p>	<p>Annual</p>	<p>For public sector data - a contractor led team is responsible for collection of the data from the MOH.</p> <p>For private sector data – the contractor is responsible for collecting sales data.</p> <p>USAID/ SpO7 staff validates data through spot checks and review of IMS data.</p>
<p><u>Comments/Notes:</u></p>					

## Attachment 3

### USAID/Morocco, Office of Economic Growth Country Strategy Plan Addendum Table of Contents

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## **USAID/Morocco, Office of Economic Growth Country Strategy Plan Addendum**

### **I. Executive Summary**

In June 1998, the World Bank published the results of a survey of 360 enterprises that asked respondents to identify and rank-order obstacles to the development of the private sector in Morocco. A survey on impediments to business creation and expansion was conducted, a few months later, by the National Business Association (*Enquete Aupres de 1100 Entreprises*). The newspaper *L'Economiste* surveyed 300 actual and potential investors in Morocco. Finally, the American Chamber of Commerce conducted a similar survey of its member companies in late July, 1999.

The results of each of these independent surveys were strikingly consistent. Respondents stated that the three most critical constraints to private sector expansion were: excessive regulation; bureaucratic inefficiency; and corruption/lack of transparency, particularly in the administration of justice. Other studies have shown that the expansion of SMEs is further – and differentially - constrained by lack of access to credit. Recent public pronouncements by King Mohammed VI and senior government officials reflect a clear signal that the government is committed to undertaking reforms necessary to address these perceived constraints.

USAID/Morocco proposes to undertake a carefully integrated program of activities that will help reduce the regulatory and administrative burden on private investors, promote transparency, and encourage business creation and expansion, with a special emphasis on small and medium enterprises (SMEs) which contribute over 85 percent of GDP. That program, described in detail below, will maximize USAID leverage by: 1) concentrating resources on those elements of the GOM that have consistently and credibly demonstrated a commitment to progressive reform; 2) focusing, wherever possible on high-profile pilot activities in the Souss-Massa-Draa region; 3) building upon the success of past USAID investments; and 4) coordinating effectively with other donors and maximizing synergies with activities implemented by other SO and SpO Teams within the Mission.

Each of the activities that make up the proposed EG SO portfolio has been reviewed and endorsed by senior government and private sector counterparts and the members of a USG inter-agency working group chaired by the Ambassador. The proposed program has also been reviewed by virtual team members, expert consultants and gender specialists.

Resources required for the program, as outlined below, are estimated at \$4.8 million in Development Assistance funds over the first two years of the strategy period (FY 00 and 01). This represents the minimum amount required to implement the core elements of the EG strategy. Regional resources and other sources of funds will be actively sought to supplement the bilateral investment, in order to broaden and deepen program impacts.

### **II. Vision Statement (from the CSP)**

USAID's economic growth program will contribute to increased productive investment by improving the competitiveness of Moroccan enterprises in domestic and international markets and through the creation and expansion of small enterprises.

Activities under this SO will help to accelerate the pace of constructive economic policy and regulatory reforms, remove or reduce constraints to productive investment, strengthen institutions that support private sector expansion, and enhance opportunities for small and microenterprise development.

By the end of the strategy period, Moroccan businesses will benefit from fewer administrative and regulatory barriers to trade and investment; more efficient service delivery through both public and private sector institutions; and increased access to finance, particularly for SMEs.

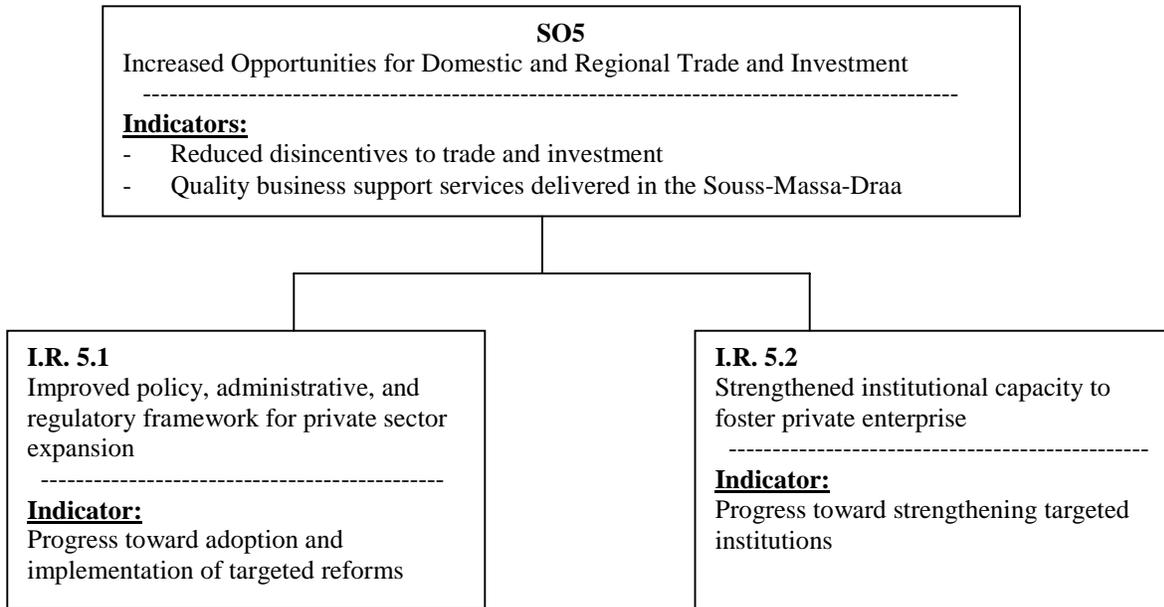
### **III. Background to this Addendum**

USAID/Morocco's Country Strategy Plan was reviewed in USAID/Washington and approved on May 21, 1999. However, in the approval cable (STATE 123732) the Mission was instructed to provide a more detailed implementation plan for the EG sector, covering the first two years of the strategy period. The Mission was asked to identify which policies would be stressed and which of the several illustrative packages the Mission will fund. In addition, the Mission was requested to provide detail on specific activities, partners and responsibilities for the first two years of implementation. According to the

cable, a list of activities, a clear description of SO5 priorities, and an implementation plan is required to justify the preferred funding level. This addendum is the Mission response to that requirement.

**IV. Results Framework**

The results framework presented in the CSP and reproduced below, has been slightly modified since the CSP review. One SO level indicator has been changed from “business support institutions strengthened” to “quality business support services delivered in the Souss-Massa-Draa.” This change reflects both the Mission geographical focus and the recognition that institutional development is a mechanism to deliver services to private enterprises, not an indicator of SO achievement, in itself. I.R. 5.1 has been reworded to encompass administrative and regulatory reform (in addition to policy reform), recognizing that excessive regulation and inefficient or corrupt bureaucratic processes are fundamental constraints to private sector expansion in Morocco.



**V. Activities and Implementation Approach**

The SO team maintains its proposal to design and implement two new Results Packages corresponding to the IRs and performance indicators described in the CSP and modified above. The first of these Results Packages is entitled: Accelerated Policy, Administrative and Regulatory Reform. Specific activities to be designed and implemented under this RP are as follows:

1. Investor Roadmap III
  - a. Background

USAID, in conjunction with the GOM, Ministry of General Government Affairs, commissioned an in-depth study of the administrative requirements for an investor to become legally established in Morocco. That study, called the “Investor Roadmap, Phase 1” was completed in June 1999. It identified in a detailed fashion, the impediments to the formal establishment and operation of businesses. The study team (Price Waterhouse/Coopers/TSG) concluded that, although Morocco’s investment environment has improved considerably, “**much work remains to be done**” since “investors encounter multiple bottlenecks across the entire spectrum of the start-up process.” The Investor Roadmap report was widely distributed among government and private sector representatives in Morocco and was the subject of numerous articles in the local media. The Minister of General Government Affairs publicly validated the findings of the Roadmap report and committed to work proactively with other agencies of government to help resolve the administrative and bureaucratic constraints identified by the consultants.

The second phase of the Roadmap exercise began in October 1999. This phase involves a careful review of Phase I findings with concerned agencies of government, followed by consensus building, a prioritization of reforms and the development of an agreed, time-bound action plan to address process inefficiencies. The Roadmap Phase II should be completed by December, 1999.

#### b. Problem Analysis

By virtually all accounts, excessive bureaucratic and administrative requirements place a heavy burden on private sector investors. A recent USAID-financed analysis (May 1999, "Organizational and Administrative Reform Impact Assessment" by Chemonics) estimated that reducing the time and costs necessary for creating a new business in Morocco would increase Morocco's GDP by 2.3 percent per year, or by approximately 7.34 billion dirhams (roughly \$770 million). Administrative reform could help create an additional 31,000 jobs per year. The Chemonics consultants consider these to be the minimum returns for a comprehensive program of administrative reform.

Other studies estimate that between one-half and two-thirds of all potential new business starts never progress beyond the initial steps of the registration process because of the complexity and costs of the bureaucratic and administrative requirements.

The Roadmap exercises were conducted in parallel with an on-going USAID-financed initiative to define business registration procedures for small and micro enterprises. That work, under the New Enterprise Development (NED) project, found that SME business registration procedures in Morocco require 16 different approvals and authorizations from 6 different ministries. Local officials are not held to any fixed deadlines for approvals and the various administrative processes are conducted in an ad hoc, haphazard manner.

Both the Roadmap study and the NED project team concluded that the investment registration process often takes six months or more and is rife with redundant requirements. The lack of transparency in the process, as applied, creates excessive discretion for low-ranking bureaucrats and hence, opportunities for corruption. These constraints are particularly burdensome for small investors who cannot afford to hire lawyers and facilitators to expedite the processing of their documents.

#### c. Activity Description

USAID's groundbreaking work in the Roadmap I and II exercises provides a point of entry for future assistance to help re-engineer the administrative processes in agencies of government that play a key role in promoting and facilitating investment. The Roadmap II exercise, currently in progress, will identify priority reforms and specific host-country counterparts. This exercise is being conducted in a highly collaborative manner, with focus group meetings chaired by the Minister and involving senior representatives of all concerned agencies and representatives of the private sector.

The SO Team proposes to design and fund the third phase of the Roadmap exercise under the new results package. Over a 12-18 month period, this activity will provide technical assistance needed to complete a program of process re-engineering and change management within one or more agencies of government selected by the inter-agency focus group. Inputs will include: one long-term specialist in administrative reform, complemented by short term consultants in: information technology applications, legal and legislative matters, process engineering, change management, human resource development, and audit and fiscal analysis.

#### d. Target/Customer Group

Beneficiaries of this activity will include:

- Local and foreign investors, their shareholders and employees who will benefit from lower costs and increased competitive advantage as administrative and regulatory burdens are reduced and corruption minimized (SMEs will benefit to a greater extent than larger enterprises);
- Informal enterprises which will be encouraged to "graduate" to the formal sector;
- The GOM will benefit from a potentially replicable model of "reinventing" and re-engineering administrative process on a pilot basis in key agencies; and

- The GOM and the private sector will benefit from the experience of working together to achieve administrative reforms (the private sector is represented on the focus group/steering committee for the Roadmap exercise) in the spirit of public-private partnership to enhance Morocco's competitiveness.

e. Link to Agency and USG Mission Goals

This proposed activity supports the Agency goal of "Broad-Based Economic Growth" by improving competitiveness and encouraging business (particularly small business) creation and expansion. It is in conformance with the U.S. Embassy Mission Performance Plan (MPP) which seeks to facilitate investment as a primary mechanism to achieve prosperity in Morocco. To a lesser extent, the proposed activity will contribute to aspects of the Democracy objectives of the MPP in that it will serve to enhance transparency in government regulation and reduce opportunities for corruption.

f. Impacts and Performance Monitoring

At the SO level, this activity will contribute directly to the indicator "reduced disincentives to trade and investment." The magnitude of activity impacts will be quantified and measured in terms of time and cost savings for investors. At the Results Package level, this activity will contribute to the indicator "progress toward the adoption and implementation of targeted reforms." Such progress will be measured using a methodology (described in the CSP) that "assigns an achievement percentage to measure progress through all phases of the administrative reform process." The activity performance will be monitored through frequent site visits and an analysis of data developed by the activity contractors and the GOM.

g. Critical Assumptions

It is assumed that:

- The highest levels of political authority in Morocco will continue to ascribe a high priority to administrative and regulatory reform;
- Counterparts within those agencies of government participating in the USAID-financed process re-engineering exercise will work collaboratively and in good faith with the activity contractors;
- Exogenous factors which could negatively influence investment decisions (civil unrest, military conflict, natural disasters) do not dampen prospects for substantially increased levels of economic activity in Morocco.

h. Links to Other Strategic Objectives

This activity will serve to facilitate private sector investment. Other Mission SOs and SpOs rely to varying degrees on private sector involvement in the delivery of social services (health, education, natural resources). To the extent that all potential investors could benefit from lower costs associated with reduced administrative burdens, this activity will have spread effects across the Mission portfolio. Similarly, the Roadmap III exercise presents a model for process re-engineering and administrative reform that, if successful, could be replicated in other areas of government oversight more directly impacting the work of the SOs and SpOs. This activity will be designed, and implementation will be carefully monitored, to ensure the gender factors are integrated into the contractor activities and that those administrative processes that differentially affect women are accorded a high priority for reform. Finally, the aspects of the activity that directly serve to enhance transparency and reduce opportunities for corruption will contribute to the fight against corruption in society that implicates all Mission activities.

i. Partners

The Ministry of General Government Affairs (MAGG), represented by Minister Ahmed Lahlimi will be the primary partner and counterpart for this activity. MAGG will serve a coordinating role for the Roadmap III exercise and provide overall direction and guidance. Minister Lahlimi is a close associate of Prime Minister Youssoufi and is an extremely influential force for progressive reform within the Youssoufi government. The Ministry of General Government Affairs serves as the primary counterpart for international donor activities in Morocco. Other partners will include: representatives of agencies targeted for process re-engineering; members of an inter-agency focus group, chaired by Minister Lahlimi; private sector counterparts and advisors, notably within the Confederation Generale des Entrepreneurs Marocains (CGEM).

#### j. Other Donors

USAID has established a clear leadership role providing analysis and technical assistance to help define and reduce administrative barriers to investment. Other donors involved in the general area of administrative reform include:

- FIAS. The Foreign Investment Advisory Service (FIAS), a subsidiary of the World Bank, has conducted some preliminary analyses concerning the appropriate role and responsibilities of a national investment promotion agency. FIAS has expressed an interest in providing technical assistance to facilitate the establishment of such an agency, drawing upon lessons learned in the Roadmap diagnostic phases.
- UNDP. The United Nations Development Program (UNDP) has provided assistance to the GOM to develop and implement a program of total quality management in public administration (*Pacte Pour le Bon Gestion et Reforme de l'Administration*). However, the UNDP activities are very limited in scope and magnitude and they do not focus on administrative barriers to investment.
- CIDA. The Canadian International Development Agency (CIDA) is implementing a program to restructure and streamline the administration of organizations representing the private sector in Morocco.
- EU. The European Union is providing assistance to improve the management of large enterprises in Morocco to enhance the private sector's capacity to utilize free trade agreements with members of the European Union.

#### k. Timing

The SO Team proposes to complete the Roadmap Phase III activity design and begin the necessary contracting processes immediately after the CSP Addendum is approved and funds are made available. The activity itself will be conducted over a period of 12 to 18 months, depending on the ultimate selection of agencies targeted for process re-engineering and administrative reform.

At the conclusion of the third phase of the Roadmap, USAID will assess the impacts of its contributions to administrative reform and, together with Moroccan counterparts, determine the scope and modality for future assistance in this critical national initiative.

#### l. Implementation Mechanism

USAID will engage the services of consultants needed to implement this activity through the issuance of one or more Delivery Orders to Price Waterhouse/Coopers under IQC No. PCE-0026-C-00-3030-00.

#### m. Estimated Resource Requirements

USAID and the Roadmap consultants estimate that final design and implementation of the Roadmap Phase III will cost approximately \$700,000.

#### 2. Policy Analysis Support for the Ministry of Justice.

The second activity proposed for consideration under the Accelerated Policy, Administrative and Regulatory Reform Results Package will finance policy analysis and technical assistance for the GOM Ministry of Justice.

#### a. Background

Despite successful macroeconomic reforms and a surge in Morocco's private sector growth between 1985 and 1995, private sector growth and investment has stagnated over the past three years. The accompanying rise in unemployment and poverty has prompted the GOM to address other constraints to private sector growth, including what the World Bank refers to as "woeful inadequacies" in the country's legal and regulatory framework and the justice sector institutions charged with implementing and enforcing the law. The length and lack of transparency and predictability of judicial processes present important impediments to domestic and foreign investment. Royal speeches dating back to 1995 recognize that Morocco will not be able to compete in the global economy in the absence of drastic improvements in the justice system.

The new government has also committed itself to making rule of law reforms a priority. The April 1998 speech in which Youssoufi presented his government's program to Parliament emphasized the importance of judicial reform. Equally significant was the 1997 appointment and subsequent reappointment of a highly respected figure, Omar Azziman, to head

the Ministry of Justice (MOJ). Omar Azziman had earlier earned widespread recognition and respect for his work as Morocco's first Minister for Human Rights. In that position, he was known for his commitment to progressive reform and skill in engaging in productive dialogue with civil society.

Under the highly capable leadership of Azziman and his Secretary General, Ahmed Ghazali, the MOJ has, over the past two years, developed a well-articulated vision for long-term sectoral reform. Changing the mentality of judges, increasing their professionalism and making the system accessible and transparent to its users are the leading themes underlying the program of reform. The overarching objectives of the reform program are a thorough restructuring and streamlining of administrative structures and processes within the Ministry itself, a modernization and updating of the country's legal framework to clarify, simplify and harmonize the laws, as well as a deliberate emphasis on the reform of those laws and institutions that govern economic transactions. The MOJ's emphasis on the commercial aspects of rule of law reform is motivated by a consensus that only private sector led investment and growth can generate sufficient jobs and wealth to stem the alarming increase in unemployment and poverty rates.

Progress has also been made in updating and modernizing the legal and regulatory framework, replacing legislation inherited largely from the colonial period. Among the critical reforms adopted between 1995 and 1997, we note, in particular:

- A new investment code (1995) that covers most commercial activities;
- A new law on Joint Stock Companies (1996);
- A new Code *des Sociétés* (1997) and a new Commercial Code (1997);
- A new regulatory framework for customs procedures has been approved by the government, and is currently under review in Parliament.

In addition, in 1997-98 a new system of commercial tribunals and appellate commercial courts was created to adjudicate all commercial disputes (discussed in greater detail in the description of Result Package II).

Since his ascension to the throne in July 1999, King Mohammed VI has strongly endorsed the reforms initiated by the Minister of Justice and has voiced his determination to accelerate the pace of administrative and justice sector reforms that are required to accomplish the interrelated goals of promoting private sector growth, encouraging development and alleviating poverty.

#### b. Problem Analysis

Recent USAID studies (G. Denoex, IFES) identify a series of problems affecting both the legal framework and the commercial court system which together constrain the system's ability to ensure an equitable, transparent and efficient adjudication of commercial disputes. Fundamental gaps remain in the commercial law framework. Many of the new laws were hastily drafted and may be overly complex and ill suited to local realities. Significant new laws are not always applied or enforced. The efficiency and transparency of judicial processes in the commercial courts remain constrained by budgetary and human resource constraints as well as the slow pace of broader rule of law reforms.

#### c. Activity Description

In light of: 1) the "reformist" credentials and credibility of senior ranking counterparts within the MOJ; 2) the MOJ's expressed interest in examining "Anglo Saxon" models of jurisprudence as an alternative model for judicial reform; and 3) the limited amount of resources available to support the MOJ's wide-ranging program of judicial and legal reform; the Mission proposes to create a very flexible and cost-effective mechanism to provide expert assistance for policy analysis, directly to key counterparts in the MOJ.

USAID, in consultation with the General Secretary of the Ministry of Justice, will establish a small committee to receive and review Ministry proposals for technical assistance to be financed under this policy analysis support activity. USAID will identify and contract with appropriate sources of expertise to implement agreed terms of reference.

Based upon preliminary discussions with ministry representatives, priority subjects for analysis include:

- Review of current or proposed laws regarding anti-trust and consumer protection;
- Review of laws, regulations and enforcement procedures to protect intellectual property rights;

- Review of laws regulating receivership and liquidation of enterprises;
- Review of proposed reforms to streamline the administrative office of the court, including effectiveness of para-judicial personnel; and
- Assessment of existing practices to select and train judges.

To date, new commercial laws have been largely modeled on French law. However, given the MOJ's proactive interest in the introduction of Anglo-Saxon models and perspectives, and given USAID's extensive experience with the reform of Eastern European laws (including bankruptcy and government procurement systems), USAID is well-positioned to provide short-term TA to the MOJ that would help accelerate and orient the on-going reform process.

#### d. Target/Customer Group

The target/customer groups for this activity are the administrators and users of the commercial justice system in Morocco.

The private sector in Morocco will benefit from judicial reforms that provide more efficient and transparent administration of justice. Commercial laws that meet international standards help attract investment and favor the growth of competitive enterprises. Administrative reforms that improve transparency and reduce transaction costs will disproportionately benefit small and medium enterprises that do not have the means to overcome legal impediments to business creation or expansion. The GOM will benefit as the MOJ increasingly becomes a model for public sector reform.

#### e. Link to Agency and USG Mission Goals

As for the Investor Roadmap exercise, this proposed activity supports the Agency goal of "Broad Based Economic Growth" by improving competitiveness, attracting investment and encouraging business (particularly small business) creation and expansion. It is in conformance with the U.S. Embassy Mission Performance Plan, which seeks to facilitate open markets and investment in Morocco. By helping to improve the administration of justice and encouraging the adoption of internationally-competitive commercial laws, the activity will serve to protect U.S. investors, contribute to increased transparency and present new models for public sector administrative reform.

#### f. Impacts and Performance Monitoring

The impacts of expert analysis and technical assistance related to policy/administrative reform will be dependent upon the subsequent implementation of such reforms, their scope and magnitude. USAID and counterparts within the MOJ will track progress towards the achievement of targeted reforms and calculate their impacts on Moroccan private sector enterprises.

#### g. Critical Assumptions

It is assumed that:

- The leadership of the MOJ remains stable and committed to progressive reforms in the administration of justice and the enactment of a framework of internationally-competitive commercial laws and regulations;
- The subjects selected for analysis under the policy analysis support activity will represent critical areas of reform where substantive changes can be made in the near-term;
- USAID will be able to recruit and field technically qualified consultants who will provide advice and recommendations that are directly useful and relevant to the MOJ and contribute substantively to the reform process;
- The GOM/MOJ remains open to alternative models of jurisprudence derived from "Anglo Saxon" experience;
- Exogenous factors, notably political and economic stability, do not impinge on the viability of private sector investment (e.g., that impacts on investment associated with progress in reforms of commercial aspects of Rule of Law (ROL) are not lost because of other investment-dampening influences).

#### h. Links to Other Strategic Objectives

This activity gets to the heart of public sector administrative and regulatory reform. It has potential impacts on other Mission objectives in two ways: 1) by presenting a model for judicial reform that could extend beyond the commercial courts and impact the way in which justice and ROL are applied in all sectors, including health, education and natural resources; and 2) the transfer of "Anglo Saxon" management approaches, expertise and technology, *although specific to*

*court administration in this instance*, may demonstrate the effectiveness of alternative (i.e. other-than-French) models of efficiency in administration that could be relevant to public sector counterpart agencies working with other SOs and SpOs.

i. Partners

The Policy Analysis Support Activity will be conducted in close coordination with and on behalf of the Ministry of Justice. Key partners will include potential sources of consultant expertise (described below), some of which are currently implementing ROL activities in other countries of the region. Other partners include members of an IFES-led consortium, currently providing judicial training and curriculum development under the terms of a Leader with Associates Cooperative Agreement managed by Global Bureau.

j. Other Donors

The World Bank is in the early stages of designing a \$150 million loan package to address deficiencies in judicial training and court administration. USAID has and will continue to coordinate its efforts in this sector with World Bank staff involved in this new program design.

The European Union (EU) also intends to work in justice sector reform. While specific assistance levels remain to be determined (assessments are on-going), the initial disbursement of funds is estimated at \$14 million. The EU will concentrate its assistance on the courts of general jurisdiction.

The UNDP is funding a modest, \$500,000 effort to computerize and modernize the operations of the Supreme Court.

k. Timing

The SO Team proposes to draft and negotiate a Strategic Objective Agreement with the MOJ in February, 2000. While some initial policy analysis can be undertaken with existing funding sources, the activity will begin in earnest as soon as FY 2000 DA funds are apportioned for the EG SO.

l. Implementation Mechanism

The Mission expects to source consultant expertise through the issuance of delivery orders to existing indefinite quantity contracts or other central contracts/agencies that specialize in legal review and judicial reform. These may include: the Legal and Institutional Reform component of SEGIR; the International Development Law Institute (IDLI); and/or the Commercial Legal Development Project managed by the Department of Commerce.

m. Estimated Resource Requirements

The Mission estimates that this activity will require \$1.9 million in development assistance funds over the strategy period. A minimum of \$300,000 is required in FY 2000 and \$400,000 in FY 2001.

Results Package II: Building Capacity for Enterprise Support Services

The CSP described an Intermediate Result that would be achieved through “assistance to selected public and private sector institutions that provide services to private enterprises.” “That assistance may take the form of specialized expertise, program support contributions, training, the provision of information technology (and/or) limited commodities.”

The CSP narrative then goes on to cite a number of “notional candidates” for institutional development under a proposed new result package.

In the intervening period since the CSP submission in May 1999, USAID/Morocco has identified five target institutions to receive capacity building assistance during the first two years of the strategy implementation period. These institutions were selected because of: 1) their potential impacts on enterprise development, trade and investment; 2) their geographic location in the Souss-Massa-Draa; 3) linkages to past USAID initiatives (building on success); 4) GOM and private sector priorities; and in some instances, the commitment of line managers and personnel to undertake the often difficult process of administrative reform. Two target institutions are still in the process of formation, hence USAID assistance for capacity

building will likely be deferred until FY 2001, although some assistance may be needed earlier to present “best practice” models for organization design. The five institutions and proposed support activities are described below.

#### Target One; Institutions Implementing Commercial Aspects of Rule of Law

USAID proposes to strengthen the commercial court structure in the Souss-Massa-Draa and selected civil society organizations focused on combating corruption in the administration of justice.

##### a. Background and Problem Statement

In keeping with the Yousouffi regime’s priority focus on the reform of commercial aspects of rule of law, a new system of commercial courts (Tribunaux de Commerce) and appellate commercial courts (Cours D’Appel de Commerce) was established in 1998 to adjudicate all commercial disputes between private litigants. There are currently six commercial courts located in Casablanca, Rabat, Fez, Tangiers, Marrakech and Agadir.

In September 1999, the General Secretary of the Ministry of Justice requested USAID assistance to develop a program of “Total Quality Management” at the commercial court in Agadir, to include: 1) training judges and para-judicial personnel; 2) rationalizing the financial management systems at the pilot court; 3) updating and modernizing the commercial registry; and 4) improving the efficiency of the administration of the court.

The General Secretary’s request is based upon a conviction that the new commercial courts represent an important new model for court administration that is potentially replicable in other courts within the much-maligned judicial system. Senior representatives of the Ministry have confirmed their commitment to use GOM resources to replicate the USAID-supported model, once gains in the efficiency and transparency of the commercial court operations are established.

In September and October 1999, a team of consultants from the International Foundation for Election Systems (IFES) conducted a field survey to assess needs and opportunities for a program of assistance to promote efficiency and transparency in the justice sector. The IFES consultants were able to develop a work plan for a one-year program of assistance, funded by the ANE Bureau regional Rule of Law program implemented through G/DG, using Economic Support Funds (ESF). Although that program has not been formally reviewed/approved, based upon field debriefings, the Mission understands that IFES will concentrate on developing and delivering training modules for judges and court administration personnel. IFES has also expressed interest in focusing its limited resources on efforts to improve the commercial court operations in Rabat. USAID/Morocco will closely track the progress of IFES initiatives and will seek to extend the outreach of IFES-sponsored training, to include representatives from the commercial court in Agadir, whenever possible. The EG Team and the IFES consultants will coordinate their efforts to ensure that their parallel programs of assistance to the commercial courts are synergistic.

##### b. Problem Statement

Despite a general perception that the commercial courts have performed with far greater efficiency than the courts of general jurisdiction, there remains an important need to strengthen their institutional capacity. The Ministry and independent consultants engaged by USAID have concluded that the ability of the commercial courts to maintain their current standards of efficiency, as caseloads inevitably increase, is limited by a number of constraints. These constraints include a lack of judges with the knowledge and experience necessary to implement new commercial laws; a lack of regular and timely access to legal information, including changes in the Moroccan law and international conventions and treaties; weaknesses in court administration, and a cumbersome case management and record filing system.

##### c. Activity Description

USAID proposes to analyze the court administration and case management systems and practices at the commercial court in Agadir and provide technical assistance, training and commodities needed to increase their efficiency and effectiveness. To the extent that the regional Rule of Law program implemented by IFES does not adequately address the training needs of the Agadir-based court officers, the activity will also design and implement supplemental training for judges and court administration personnel. Also, insofar as the commercial court in Agadir is subject to the jurisdiction of the Court of Appeals in Marrakech, additional training will be extended to the personnel at the court of appeals, where USAID determines that it is cost-effective and appropriate to do so. Finally, the activity will finance two surveys of private sector representatives (at least one to be conducted in the proximity of Agadir) to determine the perceived extent of corruption in

the judicial sector. Results from these surveys will be used to refine the design of a subsequent, USAID-financed, pilot activity to monitor and help reduce corruption in the court system in Agadir, to be implemented by reputable civil society organizations.

d. Target Group and Description of Training Needs and Approaches

The activity will target judges and para-judicial personnel at the commercial court in Agadir, and, as appropriate, at the appeals court in Marrakech.

Although an effort was made by the GOM to appoint judges who have handled commercial disputes in the courts of general jurisdiction, the experience of those judges was limited and did not include application of recent changes in commercial law such as receivership and liquidation provisions. Specialized training provided to the new commercial court judges was restricted to a one month training program in France and intermittent seminars at a specialized judicial training institution, taught by judges who themselves are part of the system and lack the necessary knowledge base and practical experience in applying the new legal provisions.

In addition, the judges in most instances lack the basic knowledge related to enterprise management, finance and accounting without which they may not be able to fully assimilate the training on the legal procedures themselves. Priority training needs for the judges include basic business and accounting principles as well as training on the law on receivership and liquidation. USAID experience with bankruptcy reform in Central and Eastern Europe shows that basic business and accounting skills must be an important part of bankruptcy related training.

Another priority area for judicial education and training relates to appropriate choice of law and conflicts between laws and involves choices among various types of international conventions (i.e., maritime and insurance) and international versus Moroccan law. Training related to intellectual property rights is also needed.

Although, thus far the commercial courts do not appear to be tainted by judicial corruption, the judiciary is generally recognized as a sector rife with corruption and lack of transparency in decision-making. The importance of judicial ethics has been an integral part of royal speeches and the Ministry's reform program. However, USAID consultants conclude that judicial corruption remains a highly sensitive subject and that judicial ethics should therefore be addressed as an integral part of other substantive training programs rather than as a stand-alone activity. USAID experience in Central and Eastern Europe also shows that ethics training is most effective when integrated with a discussion of other substantive areas that illustrate the issues in specific legal contexts.

Appropriate venues for judicial education and training may include the legal faculties, private business schools, or the National Institute of Judicial Education (INEJ) in Rabat, although the impression of the IFES team, after briefly visiting with INEJ staff, is that despite their expressions of interest, it will be difficult to effectuate substantial reform in curriculum or teaching methodology there. Since an independent judiciary should be responsible for ensuring the continuing education of its members, a series of training programs sponsored directly by the pilot court may be an optimal solution.

A court sponsored continuing education program would apply Anglo-Saxon methods of instruction with a strong emphasis on case studies and practical application of the law. Assistance in this area may also open an opportunity to influence an ongoing discussion (according to the General Secretary) to establish annual continuing education standards for all judges. To the extent that a pilot continuing education program is well received and replicated, it could offer an opportunity to integrate Anglo-Saxon teaching methodologies and continuing education standards on a national scale. Assistance with the establishment of continuing education programs and standards could also open the door to a dialogue between Moroccan and US judges about other aspects of judicial independence. (Judges and court staff involved in the development of continuing education programs may have an opportunity to visit the US National Center for State Courts training facilities as well as the Federal Judicial Training Center under this activity. Both can be accessed through Global Bureau Democracy Center mechanisms).

e. Information Technology

In addition to their training needs, the judges' ability to effectively apply the law is constrained by lack of access to reliable, complete and timely information about changes in the Moroccan law as well as international conventions and treaties. There is no systematic process within the court system for disseminating information about changes in Moroccan law nor reliable access to international law. Currently judges rely on their personal contacts to learn about these changes and

international standards. This contributes to arbitrariness and a lack of transparency in interpretation. Nation-wide assistance in this area, using information technology approaches, would exceed USAID resources but will be possible to address in the context of a commercial court pilot in Agadir.

The efficiency of commercial court operations in Agadir will also be increased as repetitive tasks now handled manually become computerized. The Casablanca commercial court, which serves as the MOJ's national pilot, has done this with some success. The Casablanca court experience will be reviewed –and, as needed, improved - for replication in the pilot court in Agadir. Assistance will include an analysis of the tasks which lend themselves to computerization and some rudimentary training in computer literacy and typing skills as these skills appear to be in short supply among the judges and court staff.

f. Anti-Corruption Initiatives in the Judicial Sector

Within the context of institutional support for commercial aspects of rule of law, USAID proposes to work with two civil society intermediaries to define the magnitude of corruption in the judicial system and implement a pilot activity to help change corrupt behaviors and monitor progress toward this objective. The approach to be followed is derived from the work of USAID consultant Guilain Denoeux (Prospects for Anti-Corruption Activities in Morocco: Assessment and Suggestions for Assistance; July 1999). Professor Denoeux recommends that U.S. assistance in the anti-corruption area should not consist of a stand-alone, separate “anti-corruption initiative.” “Instead, anti-corruption activities should be designed so as to reinforce and complement the U.S. Mission’s other objectives in the Rule of Law, Administration of Justice, support for selected advocacy groups and Economic Growth areas.”

In conformance with Professor Denoeux’s recommendation, USAID proposes to contract with two Moroccan NGOs, “Transparence Maroc” (an affiliate of Transparency International) and the ethics committee of CGEM, (a leading national business association) to conduct a detailed survey of the private sector in two separate locations. The survey instruments will be used to determine: 1) what bureaucratic processes present the greatest opportunity for corrupt behavior; 2) the scope and magnitude of corruption, particularly in the Souss-Massa-Draa region; and 3) implications for the judicial sector. The survey results will help guide the development of a pilot program within the commercial court of Agadir to reduce opportunities for corruption, train officers of the court in ethical practices and responsibilities, and monitor changes in behavior. This sub-activity will be carefully coordinated with on-going anti-corruption initiatives currently being implemented by the Ministry of Justice. The General Secretary of the Ministry has reviewed the Mission’s proposed involvement in this sub-sector, endorsed the approach and committed to work closely with the civil society intermediaries selected to implement the surveys and pilot program.

g. Link to Agency and Mission Goals

The proposed activity will strengthen the administration of justice in the commercial sector in one pilot court in Agadir. It links to the higher level strategic objectives of promoting domestic and regional trade and investment, by reducing a priority constraint to business expansion and new investment. The Ministry of Justice has requested this assistance because of a desire to consider alternative “Anglo Saxon” models of court administration, with potential for replication in the broader commercial court network. In his letter of request to USAID, the General Secretary specifies that:

“This activity constitutes for the Ministry of Justice and for our American partners a pilot project that can achieve the best results in terms of timeliness and efficiency.” “(If successful), this activity will be subject to replication in other commercial court jurisdictions.” [translated from the original French]

The activity is therefore directly supportive of the USAID and U.S. Embassy objectives to facilitate investment, open markets, economic prosperity and democracy in Morocco.

h. Impacts and Performance Monitoring

The CSP described two performance indicators to measure progress towards the overall Strategic Objective:

- Reduced disincentives to trade and investment (contributing to a more conducive and competitive investment environment) and
- Business support institutions strengthened (leading to more efficient and lower cost provision of services).

At the Results Package level, this and other institution strengthening activities will be measured using a methodology (described in the CSP) that “assigns an achievement percentage to measure progress through all phases of the administrative reform process.” “Depending on the specific nature of the reform being targeted, additional measures that capture more quantifiable impacts on the Moroccan economy resulting from constructive policy change...(will also be measured).”

Enhanced efficiency in the operation of the commercial court in Agadir can and will be measured in terms of time and cost savings for litigants. USAID/Morocco will commission an independent analysis of efficiency gains and will share that data with the GOM/MOJ to help facilitate an eventual decision to replicate the process re-engineering approach in other commercial courts.

USAID will also use the platform of our assistance to the commercial court in Agadir to observe and measure how systemic problems in the justice system affect efficiency in the justice system as a whole. In addition to the constraints which are specific to commercial court operations, the viability of these courts and their ability to maintain a reputation for timely and impartial adjudication is subject to broader justice sector reforms. Foremost among these is the still highly sensitive area of judicial independence. Although the Moroccan Constitution establishes three branches of government, constitutional amendments may be required to implement the genuine independence of the judiciary. A weak process for the enforcement of judicial decisions critically undermines the ability of all Moroccan courts to ensure timely adjudication. Bailiffs charged with notifying and convoking parties to a hearing and delivering court decisions are grossly underpaid and lack access to affordable transportation – a critical issue in the case of the commercial courts which often cover dozens of geographically remote municipalities. These enforcement officials are susceptible to bribes by parties who may have an interest in prolonging judicial proceedings or delaying the enforcement of the court’s judgment. The bailiffs’ ability to carry out their duties may also be subject to undue influence from the office of the Procurator which is charged with supervision of bailiff operations and has traditionally represented state interests and maintained strong ties to the Ministry of Interior.

The GOM realizes that a genuinely independent judiciary and timely enforcement of decisions are important to ensure investor confidence and reduce the costs of doing business. There appears to be an interest in establishing a judicial function for enforcement which would create clear responsibility and accountability for enforcement. Movement on this front, however, is hard to assess. While these sector-wide, rule of law reforms fall beyond the scope of USAID’s SO 5 objectives, further investments in the commercial aspects of rule of law will need to be monitored against the backdrop of progress being made on this broader justice sector front.

i. Critical Assumptions

Foremost is the assumption that the new government and the Ministry of Justice leadership remain actively committed to the enactment of justice sector reforms. In this respect, it will be essential to monitor concrete steps being taken to address the broad rule of law reforms discussed above that ultimately impact the viability of the commercial law court and legal system as a whole.

Secondarily, the success of the activity is dependent on the cooperation and participation of court personnel assigned to the commercial court of Agadir.

Finally, the breadth of activity impacts will depend upon the MOJ having the resources and political will to replicate successful elements of the administrative reform process to other commercial courts outside of the Souss-Massa-Draa.

j. Links to Other Strategic Objectives

This activity, like others in the Building Capacity for Enterprise Support Services Results Package, concentrates resources in the Souss-Massa-Draa and presents local models of public sector administrative reform. Other SOs and SpOs in the Mission are also working on issues relating to public administration in this region. The Economic Growth SO Team will ensure that process re-engineering approaches are shared among the different sector teams and that activity resources, particularly consultant expertise is made available to complement other SO or SpO initiatives, where it is appropriate and cost-effective to do so. The activity also includes the development of survey instruments and the application of survey data to help define the magnitude of instances of corruption affecting the private sector. These data, and lessons learned from the design and implementation of a pilot projects to address the issue of corruption in a specific sector will be directly relevant to parallel efforts to reduce corruption and increase public sector transparency in other sectors of Mission activity.

k. Partners

The partners for this activity will be judges and para-judicial personnel at the commercial court in Agadir; senior counterparts at the GOM/MOJ in Rabat; management of judicial training institutions; management and staff of Transparence Maroc; and representatives of the ethics committee of the CGEM.

l. Other Donors

The World Bank is designing a new loan-funded program to: 1) improve the operations of the commercial courts and registries of commerce through the introduction of modern court management tools and systems; 2) reorganize the management and curriculum of the National Institute for Judicial Studies (INEJ) particularly in matters relating to commercial and business law and; 3) increase the GOM's capacity to disseminate legal and regulatory information useful to judges, lawyers and other interested individuals. These activities, however, are still in the initial assessment phase and specifics will not be known until Spring or early Summer, 2000. Given the World Bank's past low rates of disbursement in Morocco and the GOM's reluctance to accept loan-funded assistance mechanisms, the proposed new program may not materialize for some time to come, if at all. The Mission is in close contact with the World Bank consultants and will continue to monitor the Bank's program development.

The European Union (EU) is focusing assistance on infrastructure development at the courts of general jurisdiction.

The UNDP is funding a modest \$500,000 effort to computerize and modernize the Supreme Court.

m. Timing

The SO Team proposes to bring a small team of subject matter experts to Morocco, beginning in late February, 2000 to: 1) further refine the program concept, in consultation with MOJ officials in both Agadir and Rabat; 2) prepare a detailed, sequenced Action Plan; 3) develop a procurement strategy and prepare procurement documents; 4) help draft and negotiate a Memorandum of Understanding with the MOJ, stipulating conditions for USAID assistance and commitments of the GOM.

The anti-corruption work to be implemented in collaboration with Transparence and CGEM will begin as soon as FY 2000 funds are received and obligated.

n. Implementation Mechanism

This activity will be implemented through the issuance of a series of delivery orders to suppliers of contract expertise, in conformance with a procurement plan to be developed in the Spring of 2000. Contractor options include SEGIR, IDLI, CLDP and other Global Bureau mechanisms. The proposed survey and pilot project to identify and reduce instances of corruption in the judicial sector will be implemented through the issuance of small value purchase orders to CGEM. CGEM will then sub-contract to Transparence for management services.

o. Estimated Resource Requirements

The Mission estimates that this activity will require \$2.5 million in development assistance resources over the five-year strategy period. A minimum of \$500,000 is required in FY 2000 and an equivalent amount in FY 2001.

Target Two: Institutions Providing Business Support Services to Enterprises in the S-M-D

a. Background

The economy of the Souss-Massa-Draa region is dominated by three key industries: fishing, tourism and agriculture. Together, these sectors represent almost 85 percent of the region's income and employment. This economic concentration has also resulted in the creation of a number of federations, associations and cooperatives representing businesses that supply and service the key industries. Intense international competition in these industries has forced the leaders of those institutions to consider how they might raise the professional standards and lower costs for all of their members, in order to improve the competitiveness of Moroccan products in world markets. At present, however, the institutions are poorly

equipped to provide services to their members, since the initial rationale for their establishment was to promote the interests of their sectors to national public policy makers – not to deliver capacity-building services to individual companies.

In November, 1999, USAID/Morocco engaged a team of consultants from Chemonics to assess the role and functions of business associations in the S-M-D and help the Mission determine whether and how to: 1) strengthen the institutional effectiveness of such associations; and 2) best utilize the associations as intermediaries to deliver business support services to small and medium enterprises in the region.

#### b. Problem Analysis

Sectoral business associations in the S-M-D are poorly structured, with inadequate staff and limited capacity to deliver technical services to members. Numerous studies, (notably, *Le Developpement des Organisations Professionnelles et Interprofessionnelles des Secteurs Agricole, Agro-Industriel et Halieutique*, Deshayes, 1997) as well as the findings of the USAID-financed New Enterprise Development (NED) project point out deficiencies in the organizational structure of such associations that limit their ability to represent or serve their members. In many cases in the S-M-D, these associations are managed by a single individual whose primary role is to promote the interests of the sector at various conferences and events.

Based upon field surveys and interviews, the Chemonics consultants and Mission staff have observed that the role of associations in the S-M-D is evolving. There is an increasing demand among members of associations for more than just representation, i.e., for outreach services that include technical support to improve firm competitiveness, (particularly, techniques of quality assurance, rapid provision of technical information, and assistance in establishing partnerships and joint ventures). And although the leaders of key associations in the S-M-D recognize that their associations can play an important role in helping individual members to improve their competitive position in global markets, they lack the organizational capacity to do so.

The leaders of key industry sector associations also recognize that, in order to expand services, they need to raise their membership and revenue bases. To do that, they have to demonstrate value-added to member firms. The limited scope and quality of business support activities currently being offered by associations in the S-M-D do not respond to members' needs or expectations. Several associations (described below) have therefore solicited the assistance of USAID/Morocco to help them improve their institutional capacity to deliver services to their members.

#### c. Activity Description

USAID proposes a phased approach to activity implementation during the first two years of the strategy period. The sequence of sub-activities is as follows:

**Phase 1 - Diagnostics:** USAID will engage local consultants to conduct a comprehensive analysis of three target associations with a view to determining inputs needed to strengthen their institutional capacities to represent their sectors and deliver services to members. The three professional associations selected for participation in this phase are: APEFEL (Agriculture), FIPROMER (Fishing), and GRIT (Tourism). The diagnostic phase will help the Mission to develop a tailored action plan that will address specific institutional constraints of the three associations.

**Phase 2 – Institution strengthening:** USAID will provide technical assistance, training and information technology to increase the capability of the associations to deliver services to their members. Those services will be targeted at the smallest individual operators in the industries.

**Phase 3 – Service delivery:** training and advisory services. Training modules will be developed, in consortium with the relevant sector associations to respond to the needs of enterprises in the target sectors. For the fishing industry, industry association leaders and members have identified the following priorities: training in standards of hygiene and public health requirements, environmental norms for disposing waste fish products, reducing energy and water costs, and marketing. For the fresh produce association, the modules will include: training in more efficient water usage techniques, improved cropping, use of meteorological data, market information and applied research. For the tourism group, the association will provide training to members on topics including: international ecotourism standards; quality assurance; marketing; and professional ethics. The training modules will be developed by local consulting and training firms from S-M-D, wherever possible, and delivered to member firms by the associations.

In parallel with phase 3, associations and their members will be assisted to develop their capacity to better use IT tools. Products identified by the target associations include:

- Internet connectivity for the associations and members in rural areas
- Information search through Internet technology
- Website development and management
- Establishment of sector databases
- Information disseminated to members through CD-ROM platforms
- Networking their databases with those of partner organizations such as Chambers of Commerce and the National Agronomics Institute.

After the first two years of activity implementation and subject to resource availability, USAID/Morocco proposes to expand the geographic and sectoral coverage of this activity to include support to smaller associations (Chemomics consultants identified 14 potential candidates for future USAID assistance). In the longer-term, USAID will replicate the methodology and extend geographic coverage still further within the S-M-D to reach rural cooperatives that are currently attracting some degree of donor attention because of their effectiveness in organizing rural women and the poorer elements of the communities.

d. Target groups

Three professional associations were identified based on their potential impact on the local economy.

FIPROMER, a fishing association, regroups 52 processing enterprises which export about 60 percent of all canned and frozen fish from Morocco. FIPROMER members account for about 35 percent of the S-M-D economy and employ approximately 14,500 workers.

The fruit and vegetable farmers and exporters association (APEFEL) is headquartered in the S-M-D and regroups about 60 percent of all fresh produce exporters in Morocco. Most APEFEL members are located in the S-M-D region. Their membership includes 500 members from both small and large farms representing an employment base of about 120,000 workers.

The Souss-Massa-Draa tourism industry is federated through the GRIT which regroups public and private sectors operators in the sector and locally elected officials. Tourism represents about 35 percent of the regional economy.

In addition to these large groupings, there are now approximately 200 smaller business associations in the S-M-D, an increase of about 40 percent between 1995 and 1998 (the latest date for which data are available). Chemomics consultants have identified 14 of these as potential targets for USAID assistance in the third and fourth years of the strategy period. Producer cooperatives, particularly in the agricultural and commercial sectors, have experienced a 20 percent annual rate of growth during the same period.

e. Link to Agency and USG Mission Goals

This activity contributes to the Agency objective of “Broad-Based Economic Growth Achieved” by strengthening institutions that diffuse information and services to all members (particularly SMEs) within key industry sectors. It will also contribute to prosperity in Morocco by improving efficiency, transparency and quality of small business operations, through the expanded use of information technology.

IR 5.2 contributes to a Mission objective to “reduce social and geographic inequalities” by stimulating information technology suppliers to provide the same services in the Souss-Massa-Draa as are available in the Casablanca-Rabat corridor. It contributes to open market economic development by improving the responsiveness of private sector groupings to international standards and norms.

f. Impacts and Performance Indicators

The three target associations derive their operating funds from membership dues or levies on products exported. In spite of the importance of the sectors they represent to the local and regional economy, the associations themselves are “shoestring” operations, under-funded and understaffed. The SO Team and the Chemomics consultants have concluded that relatively

small amounts of USAID assistance to build staff and institutional efficiencies will have significant impact on the capacity of these associations to represent their members and provide needed services.

Members of the associations will benefit directly from this activity. More specifically, field interviews with the association staff and their members highlight the following priority objectives:

For APEFEL members, training modules and information technology will help small producers to:

- know international norms for insecticide and pesticide usage, allowing better export market access for their products;
- learn safety in handling toxic chemical inputs, reduce instances of contamination and lower costs associated with rejected shipments;
- negotiate contracts more effectively;
- improve pricing strategies through Internet access to market information;
- reduce water waste and usage through better conservation techniques; and
- learn about market demands for new fresh products and access the technology to grow them.

For FIPROMER, sector specific benefits to members will include:

- improved quality management techniques;
- hygiene and safety standards; and
- Internet access to pricing, packaging and delivery information.

For GRIT, institution strengthening and the provision of training and IT services to members will enable tourist operators to:

- assess and implement ecotourism opportunities to attract tourists off-season;
- manage and network industry data banks; and
- coordinate more effectively among suppliers of different tourism-related services in the S-M-D.

Better-structured associations will attract a larger number of members who see the benefit of joining an association that delivers valued services. Strengthening the three principal associations could also have a ripple effect on the smaller associations in the region by demonstrating how the use of IT can improve the efficiency of service delivery.

Performance indicators for the proposed activity include:

- increased revenue and membership base of the associations;
- cost recovery for events organized;
- efficiency in the organizational structure of the association;
- improved planning and technical skills for association staff; and
- enhanced use of appropriate IT applications.

Performance monitoring for the institution strengthening elements of this activity will be based upon a mix of both qualitative and quantitative measures of institutional development. Business support services delivered to the members of target associations will be assessed, to the extent practicable, by methodologies that capture the quantitative impacts of services delivered on sales, net revenues and employment. Measures of strengthened institutional capacity to foster private enterprise will also include an assessment of impacts on women-owned or operated businesses.

#### g. Critical Assumptions

It is assumed that:

For the fishing and fresh produce industry association and members, access to the European market, in particular, is maintained with minimal restrictions.

For the tourism industry association and members, investments in the sector continue at the current pace or better and no destabilizing events reduce the flow of tourism in the S-M-D region.

h. Links to Other Strategic Objectives

The activity will reinforce the Mission's Better Water Resources Management Strategic Objective by providing several water conservation and environmental training modules to enterprises from the regions largest water consuming sectors.

Emphasis on information technology applications and the decentralization of IT access will support certain objectives of the Presidential Initiative on Internet for Economic Development.

i. Partners

Partners during the first two years will be:

- the three target industry associations;
- the *Ecole Nationale de Commerce et de Gestion* (ENCG) of Agadir which could provide some of the training and advisory services. ENCG has conditionally agreed to provide office space for a regional coordinator for this activity within its campus.
- The Order of Charter Accountants and local consulting firms operating in Agadir which could also provide training and advisory services.

j. Other Donors

The European Union will implement a project entitled: *Projet pour le Renforcement des Associations Professionnelles* which will work with associations to help train staff and establish joint ventures with overseas partners. The project is approved but not yet funded and does not have a geographic focus on the S-M-D. Canada's ACIDI is providing assistance to training institutions and targeted consulting firms specializing in SMEs. The British Council is supporting the ENCG by reinforcing its training staff.

None of the associations targeted for USAID institutional strengthening assistance is receiving donor assistance at this time.

k. Timing

The EG SO Team proposes to begin implementation of this activity in the third quarter of FY 2000.

l. Implementation Mechanism

Training and advisory products will be provided by the *Ecole Nationale de Commerce et de Gestion* of Agadir, local consulting firms, members of the Chartered Order of Accountants, and IT firms. All interventions will be demand driven and participatory in format. The Order of Accountants is proposed as a supplier of financial accounting training modules and services because of the Order's respected status in the S-M-D region and its accountability for all professional actions and transactions by its members.

Implementation contracts will be awarded through the use of a local IQC-type contracting mechanism. USAID will negotiate and award three separate IQCs with local firms that will provide the products required for activity implementation. IQCs will be for 1 year, renewable.

A resident, Agadir-based activity coordinator will liaise with USAID/Rabat to manage this activity. He/she will help coordinate with other Mission SO and SpO activities.

m. Estimated Resources Requirements

The activity is proposed for implementation throughout the five year strategy period. Total costs for the activity will be approximately \$1.9 million, with proposed initial obligations of \$300,000 in FY 2000 and \$400,000 in FY 2001.

### Target Three: Institutions Engaged in Microfinance Lending

#### a. Background

Since 1995, USAID has been implementing a very successful microcredit activity structured around the creation of a self-sustaining local microfinance institute (called “Al-Amana”). Following a Grameen Bank-like model of group guaranteed loans, the USAID activity has delivered over 35,000 microloans to borrowers in urban and peri-urban areas. Fifty six percent of these loans have been made to women. Al-Amana has achieved more than 80 percent cost recovery and has expanded its outreach to include 36 branch offices throughout the country. USAID estimates that Al Amana will achieve loan volumes and repayment rates that will enable it to sustain its current credit operations, without further donor assistance, by the summer of 2000.

#### b. Problem Analysis

Lack of available credit for small and microenterprises remains a critical constraint to business expansion in Morocco. The commercial banking system does not lend to borrowers from the poorest market segments because of perceived risk factors; lack of understanding of the potential profitability of the sector; and lack of training and access to technology needed to delivery microloans efficiently. The commercial banking sector in Morocco can be characterized as a protected cartel, in which a small number of banks provide financial services to a relatively small client base of well-established businesses and families. The lack of effective competition in the banking sector has resulted in a highly conservative approach to lending (that relies heavily on collateralized securities) and reduces incentives to develop new lending products or target new market segments, including SME borrowers.

Successful credit foundation intermediaries like Al Amana have demonstrated the viability of microlending in Morocco and provide evidence of the extent of unmet demand for microloans, even at relatively high effective interest rates. USAID and other donors will continue to provide funds to expand such programs. However, as the market for microfinance services evolve with increased competition among donor-financed programs, microfinance institutions are facing greater pressure to identify new clients and new financial products to expand their services.

#### c. Activity Description

In addition to its more traditional (and on-going) microlending activities, USAID proposes to provide assistance to one or more microfinance institutions to deliver the following products:

##### 1. Microcredit for Housing

Small loans can help the working poor to build or improve their housing. In October, 1999, USAID undertook a study to measure the market for small housing loans and to identify a mechanism to provide housing credit to poor people on a sustainable basis. The study determined that there is a large unmet demand for credit among the working poor. Existing programs serve a small minority of poor people with regular salaries, usually from civil service jobs. The much larger number of people with private sector employment or who are self-employed have no access to these programs. This problem has been identified as a priority for the GOM and both King Mohammed VI and Prime Minister Yousouffi have emphasized the importance of initiatives to provide housing for the poor in recent public statements.

The USAID study concluded that, based upon experiences in other countries (notably, South Africa, Thailand, Chile and Mexico), these potential borrowers are bankable if the products they are offered are carefully designed to meet their needs.

The study recommended a demonstration program in one or two sites, which would offer two products:

- A short-term loan with no collateral requirement, usually for home improvement, lasting a maximum of three years;
- A mortgage-backed loan (securitized with a mortgage bond), for periods of up to ten years, for new construction or additions to existing housing.

The consultant team recommended requiring regular savings for a period before the loan is given, both as a screening mechanism and as a partial guarantee. Based upon the products described above, the team determined that the product would be commercially viable, given certain assumptions (described below) and that a financial institution could be induced to participate in the program, once the loan performance track record was established.

USAID staff and the study consultants met with managers of selected formal financial institutions (including the Banque Populaire) and received a clear expression of interest in participating in a microfinance for housing program. However, bankers are understandably reluctant to commit significant amounts of capital to implement an unproven approach. And while USAID cannot meet the national needs for credit for low-cost housing, there is evidence that a demonstration project, if successful, will attract commercial capital.

The SO Team, therefore proposes to undertake a pilot demonstration project in Agadir, to establish the viability of the proposed approach to microfinance for housing.

## 2. Rural Microfinance

The geographic coverage of USAID/Morocco's microlending activities to date has been limited to urban and peri-urban environments. However, given the Mission's strategic focus on the Souss-Massa-Draa and the demographic characteristics of the region, it is evident that a rural microlending model must be developed to complement the existing activities, in order to achieve strategic objectives and expand the coverage of future microcredit initiatives during the strategy period.

USAID has therefore commissioned a study of potential approaches to community-based rural lending in the S-M-D. That study will help define the most appropriate methodology(ies); the recurrent cost implications that would affect the sustainability of an association-based approach; modifications to the financial products currently being offered in urban contexts (if necessary); potential impacts; and appropriate intermediaries. The study will also help define an approach to rural microfinance that maximizes outreach to women borrowers and will include a social analysis to assess how this new product will impact women's lives.

Based upon the results of that study and internal reviews, the SO Team proposes to initiate a new program of institutional support for rural lending in the S-M-D in late FY 2000.

### d. Target/Customer Group

The target group for the proposed Microfinance for Housing activity will be households with monthly earnings between Dh 1,000 (\$104) and Dh 3,000 (\$312). The target group for the rural microfinance activity has yet to be determined. Customer groups will also include the intermediary institutions that administer these new loan products. Suppliers of goods and services will benefit from increased economic activity in poor neighborhoods, with the construction industry benefiting to the greatest extent from microfinance for housing loans delivered.

### e. Link to Agency and USG Mission Goals

Microfinance activities address the "broad-based" element of the Agency goal of "Broad Based Economic Growth." They provide capital needed to help create and expand the smallest enterprises - which numerous studies have determined to be the segment of the private sector with the greatest potential for economic growth.

While the current approach to microlending will continue to be the Mission centerpiece for increasing access to financial services by the poorer segments of the population, institutional development for new microfinance intermediaries fits squarely within the SO and will contribute to "strengthened institutional capacity to foster private enterprise." The proposed new activities correspond to MPP objectives in the areas of open markets, decentralization and prosperity.

### f. Impacts and Performance Monitoring

Performance indicators for both of the proposed new products will include:

- Cost recovery;
- Client base/geographical outreach;
- Female participation; and
- Institutional capacity development for MFIs.

In addition, the microfinance for housing activity will be monitored to determine the point at which, and the extent to which the loan portfolio could be transferred to commercial bank intermediaries.

Activity impacts will be monitored through periodic reports to be prepared and submitted by participating MFIs and independent audits, as necessary and appropriate. The magnitude of impacts will depend upon the level of capitalization of the proposed new loan products. Estimating these impacts will not be possible until after the amount of DCA and/or 416 monetization resources to be made available are known (see the discussion of resource requirements, below).

g. Critical Assumptions

For the proposed microfinance for housing activity, the following parameters have been assumed in the analysis of viability:

- An average loan size of 30,000 Dh (\$3,125);
- 125 loans/year/loan officer;
- An interest rate of 13 percent;
- Cost of capital of 9 percent; and
- A provision for bad loans of 1.5 percent

More generally, success of the activity assumes that a competent and efficient MFI is designated as intermediary and that the estimated demand is realized in the pilot area. Long-term success of the activity also assumes that commercial banks adopt the methodology, once proven. For this to happen, it is desirable but not necessary to assume that the GOM continue its policy of providing low-interest funds to banks for relending to poor borrowers.

Critical assumptions for the proposed rural microfinance activity will be determined during the course of the feasibility analysis, scheduled to begin in January.

h. Links to Other Strategic Objectives

The current and proposed microfinance activities will concentrate future expansion in the Souss-Massa-Draa river basin and open several offices in the region to provide financial services to microentrepreneurs. The EG SO Team has begun discussions with other SO and SpO team members to determine how these regional offices could serve as venues for the provision of non-financial services and service referrals in sectors supported by the Mission (e.g., efficient water management techniques, business training, family planning and health education, waste management, etc.). The EG SO Team will coordinate closely with the Mission's Environmental and Urban Program Office on the ultimate design and implementation of the microfinance for housing activity, given that office's expertise and activity management responsibilities for urban-based shelter programs.

i. Partners

The Ministry of Industry, Commerce and Artisanry will remain USAID's primary partner for the promotion of microfinance. Potential partners for a microfinance for housing activity include Credit Hotelier et Immobilier; Banque Populaire; Ministry of Habitat and the regional office of the shelter upgrading agency. A microfinance institute (MFI) will be selected through competitive procurement mechanisms to implement the proposed pilot activity and that MFI will benefit directly from USAID assistance.

Potential partners for rural finance activities include: the Near East Foundation, Al Amana, or other community-based organizations.

j. Other Donors

USAID/Morocco is the most active donor in microfinance in Morocco. Other donors have been attracted to this sector because of the success of USAID's assistance programs. These include the UNDP, Spain, Germany, the EU and national commercial banks. The World Bank has sent a Mission to Morocco to identify pilot projects for microcredit and the team members have consulted with USAID on how to organize a complementary approach to microfinance in Morocco.

k. Timing

Final design, competitive procurement and initiation of a microfinance for housing activity could take place by the third quarter of FY 2000. A rural microfinance activity could also be started in FY 2000, depending upon the findings of a feasibility study expected to be launched shortly.

l. Implementation Mechanism

A Moroccan MFI intermediary for microfinance for housing will be selected through a RFA process and awarded a multi-year cooperative agreement. The methodology for selection of a contractor or grantee for the implementation of a rural microfinance activity has yet to be determined.

m. Estimated Resource Requirement (and sources)

USAID proposes to use up to \$4 million worth of local currencies generated through the monetization of wheat donated from the USG to the GOM (under the auspices of a PL Title 416(a) program) to finance the microcredit for housing initiative. Negotiations on the use of local currencies to be generated are on-going. In the event that 416(a) funds are not available for this activity, the Mission proposes to investigate the availability of Development Credit Assistance (DCA) loan funds from the Global Bureau, Office of Investment. Preliminary discussions with representatives of G/EGAD/CI have been encouraging.

The foreign exchange costs associated with the introduction of a new microfinance for housing product will be covered through incremental obligations to an existing activity (Microenterprise Finance Activity, No. 608-0218).

USAID will phase out financial support for the current microcredit program being implemented by VITA/Al Amana and oversee a transition from expatriate technical assistance to more autonomous management of the local operations. Resources obligated during FY 1999 should be sufficient to enable Al Amana to achieve full cost recovery for its current level of operations during calendar year 2000. Additional microcredit resources required in FY 2000, estimated at \$1,000,000, will be used to 1) capitalize a rural microfinance loan fund; 2) finance periodic VITA assistance for Al Amana, as needed, from VITA's home office base; and 3) finalize the design and set up operational mechanisms for the microfinance for housing product.

Target Four: National Investment Promotion Agency

a. Background

In March 1999, the GOM undertook an in-depth assessment of impediments to investment and competition. The findings and recommendations from this investigation were published in a report that served as a basis for the 1999-2003 economic and social development plan ("*Rapport de la Commission de la Promotion des Investissements et de la Concurrence*").

The Report recommended a number of actions to reduce the administrative burden and costs associated with investment in Morocco. **One of its principle recommendations was the creation of a National Investment Promotion Agency (NIPA).**

The Report proposed the following functions for the NIPA:

1. To be the sole interlocutor for any local or foreign investor;
2. To list all administrative and documentary requirements with associated costs and deadlines;
3. To maintain databases relevant to potential investors;
4. To be the sole representative of the GOM at international and domestic events to attract investment in Morocco;
5. To use information technology as a means to promote foreign and domestic investment and to streamline administrative procedures;
6. To create a "Compensation Fund" (to cover certain claims stemming from a foreign investor);
7. To reconstitute the land reserve stock; and
8. To become a key player in the debt-for-equity mechanisms.

A legal framework for NIPA was drafted in 1999 but was not enacted, due to a lack of consensus for the “institutional home” of such an agency. There are currently two options:

1. To use the existing Directorate of Foreign Investment (DFI) in the Ministry of Economy and Finance as NIPA’s institutional home. For that purpose, the DFI is proposing a reengineering scheme to enable this Directorate to become an autonomous agency, with independence from civil service regulation over management, budget and strategic planning.
2. To create a new institution placed under the aegis the Prime Minister with a board committee constituted of representatives of all Moroccan ministries and the private sector.

The proposed new agency has not yet been created under the law. However, both the King and the Prime Minister have recently declared that the creation of such an agency is a top priority. Debates concerning the roles, functions and strategic orientation of such an agency are at an advanced stage.

#### b. Problem Analysis

Morocco’s economic reforms to date have been quite significant. Laws that previously restricted foreign ownership of companies to 50 percent have been repealed. The vast majority of foreign exchange controls have been liberalized; foreign investors can now freely repatriate capital and dividends. In the area of customs clearance, Morocco has developed a fully automated system that has significantly reduced clearance delays. Although these reforms have been largely successful, much work remains to be done to make Morocco the premier investment destination among the Maghreb countries. Among the remaining constraints cited in the March report:

- Complex company registration procedures constrain investment, particularly in combination with a vague and non-transparent investment code ( e.g., investors must interact with both the tax authority, the clerk of the tribunal and a notary three times each during the registration process).
- Locating a site for industrial investment is one of the most complicated aspects of the start-up process (e.g., municipal authorities often fail to complete infrastructural developments).
- Prior to beginning operations, investors must obtain a series of additional authorizations and municipalities have their own procedures that are not formalized. Hence, the “rules of the game” often change midstream.

The most recurrent problem mentioned by investors at every stage of the investment start-up process is the lack of procedural transparency. There are few, if any, formal, written guidelines. When investors ask civil servants for assistance, they are always directed to facilitators. Documentary requirements for various permits and licenses are not only excessive, but duplicative. Investors frequently complain about the need to interact with the same government agency several times and to submit the same application materials to different government agencies. Procedural bottlenecks that delay a project’s completion or require significant amounts of staff time inevitably increase the cost of doing business. These disincentives are particularly onerous for small to medium-sized investors in Morocco.

#### c. Activity Description

The EG SO Team proposes to provide technical assistance, training and limited commodities to a newly-created National Investment Promotion Agency to enable it to perform its functions in accordance with international standards of best practice.

Once the NIPA is constituted and its structure and authorities are clarified, initial increments of USAID assistance will take the form of advice on organizational design and capacity building and training for NIPA staff. Subsequent inputs will include the design and installation of appropriate information technology systems, including database software and investor application tracking functions.

If the GOM opts to continue the current investment promotion operation within the Ministry of Economy and Finance in lieu of creating a new agency, USAID proposes to undertake an organizational diagnostic exercise to determine whether and how USAID assistance could help improve the effectiveness of that operation. Subsequent assistance, if any, would be dependent on the outcome of that diagnostic exercise.

Any future USAID assistance to the NIPA will benefit from the Agency’s wealth of experience supporting investment promotion agencies in other countries.

d. Target Groups

This activity will target management and staff of the NIPA and, ultimately, foreign and domestic investors in Morocco.

e. Link to Agency and USG Mission Goals

Enhanced investment flows will contribute to broad-based economic growth and prosperity. Building the capacity of the GOM to promote investment is supportive of the PMP objectives of open markets and will facilitate the U.S. Embassy's efforts to attract "new project" investment inflows.

f. Impact and Performance Indicators

Impacts will be measured on two levels: 1) increased institutional capacity of NIPA will be assessed using organizational development criteria (staff productivity, progress against work plan targets, process efficiency); and 2) impact on investment flows (to the extent that attribution can be established or assumed). Specific performance targets will be established after the NIPA is constituted and the nature and magnitude of USAID assistance is more clearly defined.

g. Critical Assumptions

For USAID assistance to be effective, it is assumed that:

- The constitution of the NIPA provides it with necessary authorities and autonomy;
- The NIPA is appropriately staffed and operating expenses are covered by budgetary appropriations;
- The economic, political and civil environment in Morocco remain conducive to investment; and
- The political leadership maintains its current policy orientation in support of foreign investment.

h. Other Donors

The Foreign Investment Advisory Service (FIAS), an agency of the World Bank, has expressed interest in providing some technical assistance to the NIPA, once a political decision is taken concerning its structure, authorities and institutional affiliation. USAID and FIAS will coordinate closely to assure the complementarity of our respective initiatives.

i. Timing

Institutional strengthening sub-activities can begin once the NIPA is legally established, staffed and housed. The SO Team believes that this is unlikely to occur in FY 2000 if the NIPA is created as a new agency under the Prime Minister. However the timeframe could be accelerated if the GOM decides to retain the investment promotion functions within the DFI.

j. Implementation Mechanism

USAID will issue delivery orders to Global Bureau IQCs to provide the needed expertise. Information technology commodities and the design and reproduction of promotional collaterals will be procured locally, as necessary.

k. Estimated Resource Requirements

The EG SO Team estimates a maximum resource requirement of \$800,000 over the strategy period. No assistance is proposed for FY 2000; \$200,000 is budgeted for FY 2001.

Target Five: National Agency for SME Development

a. Background

The Government of Morocco conducted a study in December, 1998 to assess the role of Small and Medium Enterprises (SME) in the national economy. The results showed that SMEs constitute over 90 percent of the total number of formal

enterprises, they employ 51 percent of all workers in the manufacturing sector and account for 41 percent of total industrial output. As in other countries, the SME sector plays a critical role in the nation's economy, producing approximately half of its gross domestic product.

Currently, however, there are no Moroccan agencies dedicated to providing customer-focused, full service programs and accurate, timely information oriented to the small enterprise community. No agency of the GOM has been tasked to identify specific barriers to small business expansion, formulate policies to reduce such barriers or develop programs that provide small businesses with increased access to business support services or to capital.

USAID/Morocco, through its New Enterprise Development (NED) project has helped to fill the gap. The project has:

- Created a small business database – an up to date listing of small businesses, disaggregated by sector, size, region, legal form and other descriptors. **This database will serve as the basis for public policy analysis and decision making by government officials as well as for market research for investors.**
- Developed the Official Guide to Business Formalities which lists all administrative and bureaucratic requirements facing small enterprises, their costs, deadlines and document requirements. **The Guide will be used to help establish a one-stop center for registering small businesses.**
- Facilitated the development of a SME “Charter” which presents a comprehensive framework of laws and policies intended to provide government support for small enterprises. The Charter provides the basis for the constitution of a new agency to be entitled “*L’Agence Nationale pour le Developpement de la PME*” – the functional equivalent of the U.S. Small Business Administration.

This proposed new agency has not yet been approved or formally constituted under the law. However, both the King and the Prime Minister have publicly declared their support for the development of such an agency; the on-going debate concerning its roles and functions has reached an advanced stage; and significant progress has been achieved in the drafting of a constitution for the new agency.

#### b. Problem Analysis

The NED project advisors and other experts have determined that SME development in Morocco is significantly constrained by:

- Slow and complex business registration procedures;
- Lack of transparency and corruption in the regulatory environment;
- Lack of quality data available to government and other interest groups to facilitate policy formulation and decision making;
- Impediments within the legal status of business and trade associations that reduce their capacity to raise funds and lobby for public sector reforms;
- Difficulties in access to capital for SMEs; and
- Poor internal management and marketing skills within small enterprises.

These constraints could be addressed, in part, through the intermediary of an appropriately structured and empowered National Agency for SME development.

#### c. Activity Description

USAID proposes to facilitate the Government's efforts to create a National Agency for SME Development with resources provided through the NED project. Once established, the EG SO Team proposes to begin a program of institutional development for the new agency. At a minimum, USAID support would include technical assistance, training and commodities to facilitate the creation of:

- A central repository of SME statistics and analyses;
- A policy analysis and advocacy unit to help initiate and monitor constructive reforms;
- A one-stop business registration center that would also serve as the institutional “home” for the Official Guide to Business Formalities, including responsibility for its periodic update and issuance of addenda; and
- A marketing support network to facilitate small business expansion.

Other potential functions of the new agency, including a credit and credit guarantee component, are under consideration by the GOM. USAID/Morocco will finalize and refine its proposed package of institution-strengthening assistance for the new agency after assessing the agency's final configuration and authorities, the availability of USAID resources and consistency with the CSP and applicable USAID policy guidance.

d. Target/Customer Group

The proposed activity will benefit:

- Small business owners and operators who will have access to applicable laws, regulations and procedures (and possibly easier access to credit and capital);
- Small business associations which will be better able to participate in discussions related to national economic policy; and
- The GOM, which will have access to more complete and better quality information with which to develop effective strategies to achieve its explicitly stated objective to foster SME creation and expansion.

To the extent that the new Agency administers credit and credit guarantee facilities, the activity could also benefit the financial community by helping commercial banks and other financial intermediaries to identify and quantify risks associated with loans to the small borrowers.

e. Link to Agency and USG Mission Goals

Depending on how the agency is eventually structured, it has the potential to contribute to broad-based economic growth by reducing constraints to the expansion of the most dynamic sector of the Moroccan economy. The activity, and the new agency, could thus contribute to enhanced domestic investment and prosperity. If the agency can avoid the risk of excessive "bureaucratization" and public sector control, it could serve as an institutional champion for SMEs and a model for administrative reform. The Mission and MPP Democracy and Governance objectives would be well-served by an Agency that enhances the voice of private associations, improves transparency in public sector decision making, and advocates effectively for constructive policy reform.

f. Impacts and Performance Monitoring

Estimated impacts will depend upon the final configuration and authority of the proposed new agency and the magnitude of USAID institutional development assistance.

Similarly, a discussion of critical assumptions, potential partners, links to other SOs and SpOs and other donors will remain unclear until the new agency is established.

g. Timing

The EG SO Team estimates that the new Agency will be formally constituted within the next calendar year. However, no institutional assistance is foreseen or required until a budget allocation for the new Agency is appropriated by the GOM and the Agency is minimally housed and staffed. The earliest point at which those minimal conditions will be met would most likely be during FY 2001.

h. Estimated Resource Requirements

The EG SO Team estimates a maximum resource requirement of \$800,000 over the strategy period. No assistance is proposed for FY 2000; \$200,000 is budgeted for FY 2001 primarily to finance assistance in organizational planning and some initial training inputs.

## VI. Management Issues

The Mission recognizes the management burden associated with this revised strategy. The following measures will ensure that the activities described above are appropriately managed and monitored. Note that this plan is far less, in both number of staff and cost, than the original management proposal included in the CSP.

- The Office of Economic Growth will recruit and hire one project-funded Third Country National (TCN) or senior Foreign Service National (FSN) employee to supplement the current EG office staff (consisting of a USDH Office Director, two senior project management specialists, an administrative assistant and a secretary). That individual will likely manage the proposed new activities in support of the Ministry of Justice.
- USAID/Morocco will also recruit and hire a program-funded, senior FSN project management specialist to be based in Agadir. At a minimum he/she would provide management support for the business services component of the EG Strategy (providing capacity building assistance to sector associations and their members).
- The EG SO Team will explore the possibility of “bundling” delivery orders to central IQCs in instances where multiple tasks can be combined in one procurement document to help implement related activities (e.g., support activities for the MOJ or information technology applications within different counterpart agencies).

## VII. Why this is the Optimal Mix of Activities

The challenge facing USAID in Morocco is to deliver significant impacts -with dwindling resources, while maintaining its relevancy to Moroccans. To accomplish this in the EG sector, the SO Team has emphasized activities that: 1) provide intellectual capital rather than capital resources; 2) mesh with the stated priorities of key intermediaries **who are committed to achieving common objectives**; 3) draw upon past successes; and 4) make judicious use of the demonstration, or “pilot” project where there are compelling reasons to believe that political will and resources will be available to extend the pilot activities, after initial successes are achieved.

It is within the manageable interest of the Mission to achieve sector-wide impacts, following this approach. USAID can leverage expertise to help bring about administrative reform, improve the administration of justice in the commercial sector, expand the capacity of sector associations to deliver services to their members, field test innovative new microfinance products and help structure new agencies to support SMEs and promote investment – all for less than \$5 million during the first two years of the strategy implementation period.

This strategy embodies the smaller mission mandate to do more with less and to achieve results that are far more than commensurate with resources invested. It requires the use of implementation mechanisms that maximize local expertise and places the management burden squarely on Mission staff (since consulting firm fees and overheads would consume most of the resources available under more traditional implementation mechanisms). Nonetheless, the SO Team and the broader U.S. Mission believe that this is the only approach that makes sense in Morocco, at this time, in order to respond to multiple mandates and make a significant difference.

## VIII. What Was Left Out (from the “notional” list of activity targets in the CSP)

Elaboration of the EG strategy (and providing the detail requested in STATE 123732) required the Team to make choices. Notional activity targets for IR 5.1 that did not make the cut included:

- Streamlining tax administration;
- Accelerating and broadening trade liberalization; and
- Increasing the use of public savings to facilitate private investment.

Some or all of these important policy reform targets can be addressed through regional trade and investment support activities.

Notional activity targets for IR 5.2 that did not make the cut included support for:

- Institutions engaged in the operation or regulation of capital markets;
- Customs administration authorities;
- Institutions setting accounting and auditing standards and ensuring compliance; and
- Institutions establishing professional standards and certification (e.g., ISO 9000, GSM).

The bilateral program can be expanded to include some or all of these institution strengthening targets if additional Development Assistance resources become available and PSC or FSN staff support can be obtained.

**Summary Presentation**

S.O. 5: Increased Opportunities for Domestic and Regional Trade and Investment  
(\$000)

<b>IR 5.1: Improved Policy, Administrative and Regulatory Framework</b>	<b>FY 2000</b>	<b>FY2001</b>
Administrative Barriers Reduced. Roadmap III	700	--
Policy Analysis Support for the MOJ	300	400
<b>IR 5.2: Strengthened Institutional Capacity</b>		
Institutions Implementing Commercial Aspects of ROL	500	500
Institutions Providing Business Support Services in the S-M-D	300	400
Institutions Engaged in Microfinance Lending	1,000	300
National Investment Promotion Agency	--	200
Small Business Administration	--	200
<b>TOTAL</b>	<b>2,800</b>	<b>2,000</b>

Life of strategy funding, based on straight-line assumptions for all activities except the investor roadmap exercise, is estimated at \$10.8 million.