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**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 1981

MOROCCO

**DEPARTMENT
OF
STATE**

January 1979



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COUNTRY DEVELOPMENT STRATEGY STATEMENT

FOR MOROCCO

USAID/Morocco
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COUNTRY DEVELOPMENT STRATEGY STATEMENT FOR MOROCCO

Part I - Analysis

A. Introduction

Morocco is, within the classification standards of the International Development Association, a near middle-income country. Per capita GNP is currently estimated at \$570. One of the first countries to gain independence after the Second World War, Morocco inherited a strong capital intensive infrastructure and buoyant foreign exchange reserves. From its relatively short colonial period, Morocco reaped many physical benefits in the modern sector. Unfortunately, the price of these benefits was neglect of the traditional sector where most people continued and still continue to eke out meager existences and a lack of trained cadre. More than half of the people live in the unirrigated interior and many of the rest are displaced rural unemployed seeking urban jobs and living in city slums.

More than twenty years after independence the human resources of Morocco are still in need of development. One example: France maintains over 7,000 teachers in the Moroccan school system. The cadre of professional and technical personnel continues to be insufficient to carry on the business of government and to service Morocco's industrial and commercial needs.

The inherited infrastructure and foreign exchange reserves plus earnings from phosphate exports enabled Morocco to pursue a trickle down

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development strategy which stressed the modern industry sector and continued the development of infrastructural and other large projects. Growth based on such a strategy is subject to phosphate price fluctuation and the state of the world economy which affects Morocco's two other important sources of foreign exchange--tourism and remittances from migrating workers. Morocco now suffers from a perhaps short term foreign exchange liquidity crisis provoked by a Europe still recovering from recession, competition in the European market in key export sectors from Israel, Spain and Greece and by an apparently temporary decline in phosphate prices.

Agriculture follows the pattern of dependency. Resources tend to go to the irrigated and export sectors. Cereal production lags increasingly behind demand.

The situation is aggravated by a high rate of population growth. Family planning efforts are not unpromising, but progress until very recently has been slow, causing Morocco to lag considerably behind the achievements of other countries receiving U.S. aid in family planning.

Morocco's population, now at 19 million and growing at the rate of more than 3 percent per year, will double in less than 25 years. Morocco was a food exporter until the 1960s, but it now depends increasingly on cereal food imports to feed its growing population. If current trends continue, Morocco will be able to produce only a quarter of its total wheat requirements by the year 2000.

The Government wishes to move toward more equitable growth and satisfaction of basic human needs. Its rhetoric professes the right ideals,

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but performance does not match stated goals, particularly in agriculture. There are indications this rhetoric may now presage better performance, but it is difficult to assess real intent in light of postponement of the 1978-1982 five-year plan which was to have been announced in mid 1978; the recently published interim three-year plan reflects severe budget cutbacks in most sectors of the economy. The GOM devotes scant resources to education and health in comparison with similar countries, and there is a tendency to favor sophisticated institutions in urban areas which further minimizes benefits for the poor. More than twenty years after independence literacy is twenty-four percent; fifteen percent for women. Women's participation in the economy is still feeble although astonishing progress has been made, mainly in the modern sector.

B. Trends in Economic and Social Development

1. Economic Base

Morocco is relatively prosperous among developing countries, and its potential for development appears promising. Yet it contains stark social and economic contrasts which, if not resolved, will seriously threaten the country's future.

Though overall per capita income is about \$570 (1977), in the rural areas where about 60 percent of the people live income is closer to \$200. This largely agrarian and traditional sector employs about 65 percent of the labor force but produces only 35 percent of the goods and services. Illiteracy, lack of health care, poverty and short life spans are still prevalent.

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Morocco's present economy is largely a legacy of the French protectorate. The Spanish zone was much less developed and the Spanish invested much less than the French who superimposed a small but advanced modern economy on the larger, agrarian and traditional society. Moreover, the colonial period was only 44 years (1912-1956). Morocco suffered from the psychological trauma of European colonialization without reaping the full benefits. Moroccan contacts with modern Europe and the rest of the world were short and limited. The numbers of trained Moroccans in almost all disciplines in the modern sector were pitifully small. The distinction between the two sectors persists.

There are reasons for optimism about Morocco's future economic development. Morocco's industrial base, developed under the French protectorate and expanded since independence, comprises a considerable productive capacity. Expressed in production terms, the Moroccan economy has succeeded relatively well. During 1973-1977 the average annual growth rate in gross domestic product (GDP) has been six percent. While generally limited to areas containing good fertile soil and by erratic patterns of rainfall, agricultural productivity could be substantially increased by improved methods of crop production and range management practices.

Morocco's phosphate mines, with over 70 percent of the world's known reserves, could (depending on factors outside Morocco's control) make Morocco economically self-sufficient by the late 1980s. During the next decade, worldwide population growth will cause an increasing demand for higher agricultural yields and thus for phosphate-based fertilizers.

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Morocco will gradually become the preeminent supplier of low-cost phosphate rock. Resulting increased foreign exchange earnings can contribute to resources available for domestic capital formation, although these will be reduced as Morocco's own food import needs increase.

The longer run appears favorable to Morocco, given its world leadership in phosphate exports, its relatively good infrastructural base, its advantageous geographical position, its reasonably diversified economy and its capacity to continue to borrow abroad on commercial terms without risking an overly difficult debt servicing load. Therefore, the medium-term problem for the GOM is to find the financial resources to finance continued development during the next 8-10 years without incurring an unmanageable debt service burden.

2. Socio-Economic Performance

In examining the socio-economic performance of Morocco, it is important to understand that Morocco is fully aware of the alternative ways in which development can take place and that AID's basic human needs approach is well understood. Moreover, it is also important to realize that Morocco is as anxious to improve the lot of its people as any other country. Because of its history and its industrial base, which makes such a strategy feasible, Morocco has over the years stressed industrialization and attention to the modern sector as the way to bring maximum benefits to all of the people of the country. From our point of view, this is trickle down; from the Moroccan point of view, only accelerating growth in the modern sector will allow the Government to devote adequate resources

to the traditional sector at some future time. From the Moroccan point of view, trying to improve conditions in the traditional sector by relatively small increases of resource allocations is wasteful. More can be achieved by investing resources where the potential for quick growth is best. Moreover, there is little doubt that the Government believes that stability is best served by this kind of development strategy.

For all of these reasons, from the AID point of view, Moroccan allocation of resources to benefit the poor has been and continues to be inadequate. In connection with the new three-year plan, there have been renewed expressions of Moroccan concern for social justice and indications that the GOM realizes that past development policies have had their failings. This concern is undoubtedly real, but it has been expressed before and not been followed by a change of policy. The reasons for this are clear: the GOM is willing to alter its policy at the edges and to make some adjustments, but it is not convinced that the policy it is pursuing, grosso modo, is wrong. In addition, relative changes of emphasis between the modern and traditional sectors will likely be masked by the general retrenchment in economic development expenditures which the GOM will be forced to pursue during the next few years and which will restrict expenditures in all sectors.

The 1978 government budget (the operating budget plus the investment budget which together totalled DH 17.55 billion dirhams-- \$4.39 billion equivalent) allocated 18 percent of funds to education, 4 percent to health, 7 percent to agriculture and 0.7 percent to

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housing and development. (About 20 percent of this budget was allocated to defense expenditures.) Because of the financial crisis, expenditures were curtailed in mid-1978. How this affected the soft sectors is unclear; but traditionally in Morocco, as in other developing countries, these sectors feel the pinch first. The table below shows budget allocation trends during the past three years. Comparable allocations are likely to be continued in the forthcoming three-year plan in roughly these proportions, although newly launched austerity measures may reduce the real amounts. (As this is written, the Plan is appearing. We have not had an opportunity to analyze it, but a rather haphazard, perforce, review reveals the rightness of this surmise.)

Selected GOM Budget Allocations by Ministry
(Millions of Dirhams - Percent of Total Budget)

	1976		1977		1978	
	<u>MDH</u>	<u>%</u>	<u>MDH</u>	<u>%</u>	<u>MDH</u>	<u>%</u>
Education	2320	12.8	2736.8	13.3	3102	17.7
Agriculture	1434	7.9	1724.6	8.3	1252	7.1
Health	569	3.0	602.3	2.9	644	3.7
Defense	2340	12.9	3509.7	17.0	3438	19.6

Note: Figures are total of operating and investment budgets in each case.

Although agricultural production is the keystone of the national economy, and the sector from which the mass of population must earn its livelihood, the slow growth rate in this sector indicates that the poor are not benefitting in the one most obvious direct economic

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way open to them. Seventy percent of the government investment in agriculture goes into a very limited portion of that sector--the irrigated areas--which constitutes only a small portion of the total arable land, and which directly benefits a small portion of rural dwellers, most of whom are relatively well off. The new plan document notes that given limited resources, emphasis must continue to be placed on the most productive land. It should be noted again that while this hardly augurs well for the poor in the short term, it is not prima facie a maladroit strategy in view of Morocco's present economic difficulties.

In the modern sector--industry, mining, energy, public works, construction--resources are used more efficiently, productivity is higher and growth is faster than in the traditional part of the agricultural sector. But the modern sector employs far fewer people and benefits a far smaller portion of the population than the agricultural sector. In short, within the modern sector, which government development planning accords high priority, resource allocation is relatively efficient and productive; within the rest of the economy, on which the welfare of the mass of the population depends, resource allocation is generally inadequate and inefficient. As a result, despite real economic progress, the social and economic distance between the cities--shantytowns (bidonvilles) aside--and countryside is widening. As the Government's push for industrialization continues, and peasants continue to move to the cities (causing an urban growth rate of 5-6 percent each year), the rapidly growing urban areas are making increased demands on government resources. The state spends 5 or 6 times as much to provide

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water, electricity and social services in the urban areas as in the countryside. The standard of living among the peasants has not improved at anywhere near the same rate as that of the urban population taken on the average. In the slums and bidonvilles even though per capita expenditure here too is higher than in the countryside, the standard of living has not improved. but, in a real sense the mushrooming city slums are part of the rural rather than urban problem.

Real income seems to have increased in urban areas, but there is little evidence that this has occurred in the rural sector. Although GDP data suggests that in rural areas real income increased slightly (1.6 percent annually) from 1960 to 1970, for about two-thirds of the rural population per capita expenditures are below the national average and, for at least 42 percent of the rural population, below the subsistence level. Thus, a tentative estimate would place the number of "rural poor", i.e., those below the mean national consumption level, at about 7.3 million of whom 4.6 million live below the subsistence level of about \$150 per year. In short, the material conditions of the majority of the population of Morocco are not improving and programs now carried out by the Moroccan Government do not meet many of the basic human needs of this majority.

The problem of unemployment and underemployment is worsening. The creation of jobs has not kept pace with population growth. Government policies and programs do not demonstrate any actions likely to reverse this trend. The stagnation and low level of employment formation in the agricultural sector has helped cause

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the exodus to the cities mentioned above. Nothing in current GOM planning appears likely to reverse this trend.

Although most of Morocco's public investments have been in the modern sector, and particularly the industrial modern sector, they have not provided a sufficiently dynamic influence to develop national markets, and they have not provided sufficient jobs to compensate for the stagnation of the traditional part of the economy. Mechanization, in fact, has in many cases aggravated unemployment.

In sum, the trends of the past twenty years have not reversed the continued impoverishment of the population, a massive rural exodus, and resulting social and economic problems which the Government has not solved.

A word of caution: this bleak picture is not altogether supported by eyewitness evidence. Although in many bidonvilles poverty is truly abject, our visits to some of the poorest parts of Morocco have not revealed obvious, widespread and grinding poverty. One notes in many areas the absence of primary schools, but one also notes that the children seem well fed. A recent AID nutrition evaluation supports the view that there is no acute malnutrition problem in most of Morocco. In many parts of the country, one hears of discontent but one also hears unsolicited reports that things are better than they were. Remittances from workers in Europe as well as the modern Moroccan sector may be a partial answer. Morocco is in many ways a rich country and, with high population mobility both within and outside of the country, considerable resources move between the modern and traditional

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sectors. The GOM has used its foreign exchange to augment lagging foodgrain production. The Government's "charitable" programs, while largely non-developmental, do reach a large percent of the population--with significant AID help in the Title II area. Things move slowly in Morocco and people are patient and often long-suffering. There is a propensity not to force issues to the point of resolution and to accommodate oneself to circumstances. But these factors together do not fully explain the eyewitness impression noted above. Obviously we don't know enough about the society. And obviously, more analysis is needed; but subject to later modification (as is all analysis), we believe what we have said is fair and correct. For every objective criterion suggests that the bleak macro-economic situation depicted is correct.

C. Development Sectors Considered

The following brief reviews of development sectors of interest to AID--agriculture, health and nutrition, population, education and human resources--do not pretend to provide a definitive and exhaustive analysis. They summarize what we now know about current traditions in those areas. Our relative ignorance is partly due to inadequate data.

A great deal has been written over the years on various aspects of Morocco, but hard current data which can serve as a basis for analysis and action is scant. There have been only two modern censuses in Morocco--in 1960 and 1971. A new census is provisionally scheduled for 1981. The census data is relatively unreliable, rated "very rough" by the UN. (On a scale of I to V, Morocco was rated V.)

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The only official source of data which sheds light on income distribution and rural poverty in Morocco is the Household Consumption and Expenditure Survey of 1971. Where data exists in provincial and village records, it has seldom been analyzed. USAID is making an effort to evaluate for the first time some aspects of social and economic changes as a result of nearly 20 years of U.S.-Moroccan financing of irrigation works in the Lower Moulouya Basin. The National Fertility and Family Planning Survey to be implemented in the early part of 1979 will help to fix more precisely the demographic parameters affecting national social and economic development. The results of these efforts will be reflected in future revisions of this strategy statement. In the meantime, however, our planning must be based on the limited information in hand.

Part II.E of this document (Analytical Requirements) reviews some of the areas in which further analysis will be required to provide a sounder basis for future programming.

1. Agriculture

Moroccan agriculture leaves much to be desired both from a point of view of productivity and equity.

Morocco's rural areas contain about 60 percent of the population, three-fifths of the economically active population, but produce less and less of the country's food needs.

Despite massive investments in agriculture since independence, productivity per capita has decreased and the majority of the rural population has not profited significantly.

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Before 1956 colonial agricultural policies were relatively coherent. Their purpose was to develop the best land areas and to enrich the colon landholders. These policies produced large concentrations of land (350 hectares and more) which permitted the development of a modern, mechanized, high-production agricultural sector on a small portion of the cultivable land, and parallel to this a traditional, low-productivity sector in the non-irrigated areas occupied by 80 percent of the rural population. Most of the 500,000 hectares taken from colonial owners passed directly into the hands of large-scale private Moroccan operators and state enterprises. The modern export-oriented agriculture, mainly on the best land, has been supported by the services, credit and infrastructure of the Government.

Morocco's agricultural land resource includes about 3 million hectares of cropland and some 10 or 12 million hectares of rangeland which are generally overstocked and producing well below their potential. The country is also endowed with fairly good water resources. For the past twenty years GOM agricultural policy and investments have been directed in priority toward the development of irrigated agriculture on a targeted area of 1 million hectares. To date half of the area has been brought under irrigation. Completion of the irrigation development program is planned for the late 1980s.

The irrigation program has absorbed most of the financial investment and much of the best trained agricultural manpower. The primary objectives were and are to satisfy the sugar requirements of the country (uneconomic as domestic sugar production for the most part is)

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and increase its foreign exchange earnings through the export of fruit and vegetables. However, in general, the irrigation program has not had much of an effect on reducing the level of food (especially foodgrain) imports. Nor is it likely to make a significant impact on these imports in the foreseeable future.

As Spain, Portugal, Greece, Turkey and possibly Israel enter the Common Market or become associated with it, and as preferences become more and more discriminatory against non-members, Moroccan agricultural exports will suffer more and more making its export-oriented strategy (already partly vitiated by poor quality control) even more questionable. The problem will be particularly difficult for citrus.

The pattern of land distribution is indicated by these facts:

- about 2500 well-to-do landholders possess 10 percent of the cultivable land of the country, generally the best irrigated high-productivity land. Average size holding is 300 hectares.
- 68 percent of farmers are small holders with an average of 2.5 hectares, mostly in non-irrigated areas, cultivating cereals, usually unaffected by state investments, and unable to secure adequate agricultural credit.
- landless rural workers constitute 23 percent of rural families, with an average annual income of DH 800, or DH 2.20 (\$.55) per day for a family which may include a dozen people.

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Given the pattern of land distribution and the policy of allocating most resources in agriculture to the most productive land (the irrigated areas), it is obvious that the poor do not benefit directly in proportion to their numbers and needs.

Despite these inequalities, or perhaps because of them, GOM agricultural policies have not yielded the anticipated results in production. In 1969, exports covered about double the value of agricultural imports; in 1975, they covered half.

Investment strategy and resource allocation in agriculture during the 1968-1972 and 1973-1977 Plan periods have concentrated on capital-intensive programs, which, except for the construction of irrigation networks, usually do not create new productive capacity at the farm level. Thus, agricultural investment programs have been concentrated in relatively small areas and thereby exclude at least two-thirds of Morocco's 1.9 million farmers who have access to only marginal resources and opportunities for change.

The GOM has attempted to stimulate farm production and at the same time to provide consumers with inexpensive basic food commodities. It has established minimum support prices for barley, durum wheat and corn but set a ceiling price for bread wheat. The relative proportion of land devoted to the various cereals has remained constant, but the effect of the price policy is reflected in changing technology used by farmers. As a result durum wheat and barley show significant increases in yields over the last 15 years, while bread wheat and corn have not changed. This factor has contributed to increasing imports of bread wheat.

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For all facets of production and marketing needs, irrigated perimeters are given the most favorable treatment by the Ministry of Agriculture. The research-extension service provided to farmers within these areas is far superior to similar services for non-irrigated areas. The research-extension services to non-irrigated areas are generally recognized as the weakest link in any government effort toward improving conditions of Moroccan farmers.

The new three-year plan makes mention of three new extension-research area projects in the semi-arid areas, but this hardly represents a broad movement away from previously discussed concentration of resources on the most productive areas.

The failure of GOM agricultural policies is reflected in the increasing food deficit of the country; its continuing dependency on the vagaries of the export market and of climate; and in the marginalization of the masses of economically redundant peasants who, at the rate of 100,000 a year, leave the countryside to swell the urban slums and aggravate the already acute crisis of the cities.

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Agriculture: Basic Data

Annual total agricultural production growth rate (1954-77)	2.6 percent
Annual per capita agricultural production growth rate (1954-77)	minus 0.2 percent
Food production per capita (1977)	\$U.S. 27.20
Major subsistence crops (1977)	wheat and barley
Percent of arable land (subsistence) (1977)	61 percent
Major cash crop (1977)	citrus
Percent of arable land (cash crop)	1 percent
Major agricultural exports (1977)	citrus fruits, tomatoes, canned and processed foods
Major agricultural imports (1977)	wheat, sugar, vegetable oil, dairy products

(Source: USDA unpublished data)

Percent land owned by the top 10 percent (1973)	49 percent
Percent land owned by low 10 percent (1973)	1 percent

(Source: World Bank)

Percent labor force in agriculture (1970)	61 percent
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(Source: ILO Yearbook of Labor Statistics)

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2. Health and Nutrition

The health of the poor is characterized by a vicious cycle of high prevalence of communicable and debilitating disease, some malnutrition and high rates of fertility and infant mortality. The infant mortality rate for Morocco is estimated to be between 120 and 150 per 1,000 live births. The rate is much higher in rural than in urban areas.

The conditions of poverty and deprivation among small and landless farmers are a function not only of inappropriate technology, inefficient cultural practices and a lack of farm inputs, but also of ignorance, malnutrition, poor health and population pressures.

While impressive gains have been made in establishing a physical infrastructure of hospitals, health centers and dispensaries, as well as in controlling certain crippling diseases such as malaria and smallpox, there remain a host of endemic disorders which have barely been alleviated. Water-borne diseases and preventable contagious diseases together represent a continuing serious threat to the health and well being of Morocco's citizens. Access of the rural poor to preventive and curative care is restricted by distance from a health facility, by overcrowding of available health centers, by the cost of seeking care, and by inadequate outreach of government health services beyond the urban and semi-urban areas. Although the GOM invests substantial resources in the health sector, much of the investment goes for construction and upkeep of physical facilities and curative services. In principle, preventive health is accepted as an important component in the GOM's health care package, but actual investment has been relatively low. Malnutrition,

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the lack of protected clean water supplies and sanitation systems, and the prevailing high fertility rate combine to create conditions favorable to high morbidity and mortality, especially among infants, mothers and young children, sapping the future manpower resources of the nation and counteracting much of the Government's investment in health.

Ministry of Public Health Budget (1973-1977)
(Millions of Dirhams)

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>Total</u>
319.3	328.3	436.4	569.2	602.3	2,255.3

(\$512.6 million)

Note: Figures are total of operating and investment budgets.

For the last plan period (1973-1977), a total investment budget of DH 303 million (\$70.5 million) was earmarked for the public health sector, a threefold increase over the previous plan. Even so, the existing system is inadequate for the task before it. The main problems are: (1) insufficient number and inadequate quality of health installations; (2) the shortage of medical personnel; (3) a traditional clinical medical training program that is too costly and too long to meet the country's most urgent and basic health needs; (4) inefficient management of available resources; (5) failure to develop a fully integrated low-cost health network in rural areas that can measurably reduce the high birth and infant mortality rates and the incidence of malnutrition and disease; and (6) inadequate health statistical analysis to support health planning.

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Even a cursory examination of health expenditures shows the lion's share of resources going for facilities, personnel and expensive, mostly urban, curative health care. The financial implications of the present numbers of medical, nursing and health technical personnel in training (e.g., 5,000 physicians in training) are staggering, leaving one to wonder (1) how it will be possible for the Ministry of Health to finance facilities, equipment, drugs and supplies fully to utilize the numbers of health personnel being trained; and (2) how much will be left over for outreach and preventive services which have the greatest potential for affecting vital rates.

Nutrition

The key nutrition problem from a family standpoint is lack of resources. Next in order of importance must come inadequate understanding of family nutrition needs and ways to meet these needs from low-to-moderate-cost food sources. From a national government standpoint the problem derives from inadequate production of basic foods to meet the population's needs, inadequate food distribution and marketing systems and changing consumer preferences for processed foods, i.e., flour sold at low retail prices and for meat and poultry products.

Malnutrition in rural areas reflects lack of food supplies, poverty and ignorance. The high infant mortality rate in urban as well as rural areas is a reflection of the marginal nutritional and health status of much of the population.

Lasting solutions to Morocco's nutrition problems will not be easily achieved. They will necessarily require action to (1)

3. Population

Population growth rate is estimated at more than 3 percent. Morocco's strategy to deal with the population problem does not place it among the leaders and is not commensurate with the problem. There are some indications that things are changing, and there are some promising developments but it is much too early to be optimistic.

Morocco has a conservative and traditional society. The words of its leaders are significant and have an important effect on policy. Rhetoric is not always followed by action, but without rhetoric there can be no action. In 1966, by royal decree, a High Commission on Population was established to elaborate and coordinate the implementation of the Government's policy on population growth. Twelve ministries were to meet quarterly. To our knowledge, this commission has met only three times in 11 years. Nevertheless, the GOM was among the governments who signed the UN Declaration on Population in 1968. Shortly thereafter, the Government of Morocco launched a national family planning program aimed at limiting the rate of population growth.

The 1973-1977 five-year plan specifically mentions a demographic goal to be achieved through family planning. The new three-year plan is particularly disappointing. The discussion is brief, partly negative and wholly lacking in a sense of urgency and purpose. Other than family planning, there is little evidence to suggest that the GOM is seriously considering policies or programs which might influence the rate of population growth.

On the other hand, it is possible that the new three-year

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plan was drafted at a particularly unfortunate moment and/or that the weakness of the discussion is a product of temporary staffing difficulties at the Ministry of Health (in itself not an insignificant fact). For in the last several weeks, the plan aside, there has been a change in climate. The King has several times spoken of the demographic problem and, while his words are too elliptic to please some, they represent a new awareness. For the first time, a national and apparently action-oriented family planning conference is being organized. At the very least, the Ministry of Health has read the signals as go-ahead and there is no doubt that in their relationship with USAID/Morocco there has been a noticeable change. They are now pushing us to expand our range of family planning activities. Our advice is sought. There are quick responses to our suggestions. The VDMS (Visites a Domicile de Motivation Systematique) project in Marrakech is proceeding very well and will undoubtedly be replicated in one or more provinces this year. More importantly, many Moroccans and knowledgeable foreigners also detect this new atmosphere; and in a country where atmospherics are important, this is significant.

Outside traditional family planning programs, some policies which may have a beneficial effect are being applied. Increased investment in education, expanded basic education (literacy) and even some home management skills directed at older girls and married women are likely to reduce fertility. Programs by the Ministries of Labor, Youth and Sports and Social Affairs which provide job skills training for women and teenage girls are also likely to influence

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fertility in a downward direction and such programs are beginning to be introduced. GOM efforts to attract foreign business and expand local production capacities--many of which could be expected to employ women--may have also positive demographic effects. But all of these programs are themselves beset by difficulties, and their influence will at best be minor.

The tragic problem of urban slums--bidonvilles--is likely on the other hand to be an incentive to reduce family size since a child as an economic factor is a liability in the city and an asset in the bled. A more effective family planning program could build on these changing attitudes.

Perhaps we are at a point where leaders in Morocco have decided that something must be done about the population explosion if all development efforts are not to be vitiated. Perhaps the seriousness of the problem has overcome traditional and other blocks, and perhaps the realization that the problem is serious has replaced the illusion that what Morocco really needs to do is fill up the vast empty spaces of the Sahara with more people.

4. Education and Human Resources

While amounts spent on education and training increased dramatically in the past 15 years, the formal system itself, at least, is still highly centralized, totally academic, highly selective and in many ways unsuitable to the country's economic and social needs. One serious constraint to development in Morocco is the lack of trained manpower at all levels of the economy.

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Although the GOM has invested a considerable portion of its budget in formal education, most Moroccans have little or no schooling. Only half enter primary school. Of this number, 31 percent are rural and 69 percent urban. By the end of the five-year primary school, 60 percent of students have dropped out; only 38 percent of secondary school students complete the seven-year course. Girls are about one-third of the students in primary and secondary schools, and their dropout rates closely parallel the national figures. This group of dropouts becomes the semi-educated men and women who constitute the largest percentage of those actively seeking and unable to find employment. Fifty-three percent of women seeking work have four or more years of education. Women dropouts find it particularly difficult to enter the modern job market.

The present education system clearly favors urban areas over rural, and males over females. One sees the results in the literacy rate--now 24 percent, having climbed from 17 percent in 1960. The urban/rural breakdown, however, is 46 percent and 13 percent respectively; and the male/female breakdown (1971 census) 33 percent and 13 percent. In rural areas only 2 percent of all women have basic reading skills.

There is a vicious cycle:

-- There are no primary school facilities in large parts of Morocco. Whole villages have no children in school at all. This stems partly from a government policy not to provide schools where there are fewer than 400 prospective students.

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-- Undoubtedly, much primary education where it does exist is of an appallingly poor quality and standards continue to deteriorate in primary as well as secondary education.

-- Yet one must accept the political impossibility of taking away resources from higher education and putting them into primary education.

-- The proportion of students who can enter succeeding levels of education is pitifully small because of lack of money, teachers and space. And yet in most faculties there are too many graduates from secondary schools and universities. We talk glibly about the unsuitability of the French educational system for LDCs, but this unsuitability wreaks more havoc than even we calculate on the life of people and countries.

There is some evidence of progress. Particularly significant to the change process is the fact that certain key institutions, such as the Ministry of Labor's Office of Vocational Training (Formation Professionnelle), have realized initial successes and are eager to expand the impact of their programs and to broaden the base of their beneficiaries. In recent years Morocco's educational planners, with assistance from the World Bank, UNESCO and other organizations, have begun reforms intended to (1) increase the geographical reach of Morocco's public school system, particularly at the primary school level; (2) shift some of the emphasis in primary and secondary education toward more usable (as opposed to strictly academically-oriented) curricula so as to help prepare children for life rather than solely for more education; and (3) develop research systems to analyze human resource

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requirements as well as develop systematic flexibility. These efforts are in varying stages of development. In large part they are supported by a series of loans from the World Bank, which is now considering a fourth education project for Morocco which would continue expansion of the primary system, and emphasize changes at the technical secondary education level.

Moroccan manpower resources lie largely unexploited due to illiteracy and lack of adequate training facilities. Unemployment has reached critical proportions of 25-30 percent. The International Labor Organization predicts that the 5 million labor force will continue to grow at 3 or more percent a year from 1975 to 1985, when it would total 6.5 million. Morocco will be hard pressed to create jobs to match this increase, even if labor intensive policies of investment are followed.

No panacea is at hand. The problem is extremely complex, and the mere provision of jobs is not in itself a solution. A particular difficulty is the 60 percent of the population which is rural. Lack of work during the agricultural off-season or simply the search of novelty draws rural people to the towns (either directly or via Europe; once a migrant returns to Morocco he often stays in the city rather than going back to the village) where they add to the numbers of unskilled and unemployed workers already there. As soon as housing complexes are built on the outskirts of the towns to accommodate the bidonville dwellers, the bidonvilles are filled with new immigrants. To halt migration the Government is building more schools, hospitals, recreation

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centers and other amenities in rural areas and is attempting to relocate industry in smaller cities in the countryside; but, at best, judging from the experience of other countries, this will have only limited results.

A program of basic vocational training could considerably alleviate the unemployment problem and help meet existing demand for skilled and semi-skilled workers.

Unemployment at home drives large numbers of Moroccans to work in Europe and the Middle East. Emigration has two distinct advantages for Morocco: it brings in valuable remittances, a major element helping to cover the trade deficit, and it allows Moroccans to learn trades which they can bring back with them. This is no permanent solution to the problem of excess untrained labor. Slow recovery in Europe will continue to limit the foreign labor market's ability to absorb excess Moroccan workers.

Unemployment is a major problem affecting women in Morocco. For them, in addition to lack of training and low levels of education, there are social and traditional constraints to their entering the job market. At the same time, the transitional nature of a developing society has placed new burdens and responsibilities on Moroccan families which in many cases make it imperative that women work. With one household in every three or four headed by a woman, the economic survival of its members rests with the woman's ability to obtain employment.

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During the 1960-1971 intercensal period, the active female labor force increased by 75 percent. In urban areas, the number of economically active women doubled, particularly among the 15-24 age group. During that same period the number of female job seekers increased tenfold, from 2 percent of all unemployed in 1960 to 21 percent in 1971. We do not have more recent figures.

A few programs for improving the life chances of Moroccan women already exist. Some take the form of non-formal education activities to increase and improve the impact of current programs for poor Moroccan women. One is the program of Promotion Feminine of the Youth and Sports Ministry; another is the ouvroir program of the Ministry of Social Affairs and Handicrafts. To date both programs have concentrated primarily on training in handicraft skills including sewing and child care. However, Promotion Feminine is placing new emphasis on an attempt to redirect its training programs to develop more marketable and better remunerated skills for women. The Ministry of Social Affairs through GOM-supported cooperatives is also imparting literacy and skill training on a large scale both in traditional and in some cases in non-traditional areas. Programs for abandoned wives (of whom there are many, given the easy divorce laws) have also started.

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Part II - A.I.D. Strategy Alternatives

A. United States Interests and the Evolution of Aid

The United States has provided aid to Morocco since independence in 1956, and before then under the Marshall Plan to Europe (France). We have expended close to \$1 billion, about half of which has been in the form of food aid under PL 480 Title I and Title II.

Through the 1960s U.S. aid was seen by both ourselves and the Moroccans as payment for military bases and as a symbol of Moroccan-American friendship and U.S. interest in Moroccan progress. Aid took the form of substantial budget support (through program loans under Security Supporting Assistance and PL 480 Title I wheat sales) supplemented by modest grant technical assistance (average \$2 million a year) and a major (\$15 million a year) Title II program of food aid administered by Catholic Relief Services.

As the U.S. military presence wound down, Security Supporting Assistance ended in the early 1960s and the aid program came to be justified primarily on development grounds rather than as a political symbol of friendship. PL 480 (Title I and II) has continued at about the same levels and grant technical assistance has until FY 1978 stayed at around \$2 million a year, with occasional project loans (mostly for irrigation facilities) bringing the average development assistance for 1970-1978 to about \$8 million a year.

The Moroccans have taken Title I and II for granted. On the policy level, the GOM has not considered the U.S. development program large enough to warrant much consideration. The United States has

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recognized that the AID program has little or no political value, but we have shrunk from an explicit decision to reduce or terminate it because of possible negative unintended political consequences.

From the Moroccan viewpoint, there are two main difficulties with the AID program as previously conducted and even as currently composed. Our loans for capital projects, like the Doukkala Irrigation Perimeter approved in 1976, usually require procurement procedures which are so difficult and so much at odds with French-derived Moroccan practices that they create a continuous abrasive relationship. Our grant-financed technical assistance activities, from our point of view, have no real impact on anything but marginal Moroccan concerns and, from a Moroccan viewpoint, are perpetually doomed to operate on this same margin because AID philosophy does not permit AID participation along the main lines of Moroccan development strategy. Ergo, impasse. Ergo, a current program constituted of diverse minor projects which, although often of real interest to technical ministries and often embodying innovative elements of real potential benefit, somehow do not fuse into a coherent and cohesive whole. We therefore have labor-intensive activities which do not enjoy support on the national policy and planning level and do not obtain for us participation in a dialogue on development policy.

The Title II feeding effort is our largest program in Morocco, and it runs counter to the GOM's normal disproportionate allocation of resources to the modern sector. Our women's projects (Nonformal

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Education for Women and Industrial and Commercial Job Training for Women) focus on what is still the most neglected group in the country. If we can implement our Dryland Agriculture Applied Research project, we will be directing our efforts at an area which continues to be almost totally neglected by the Government of Morocco (in spite of all the rhetoric, the FY 1979 Moroccan budget devotes fewer resources than ever to dryland agriculture). One small project to finance social and economic research by Moroccans is a high risk effort to engage Moroccan rather than U.S. savants in development research useful to AID in formulating new project proposals. Our project efforts in potable water and in social programs both have the merit of focusing on needy groups in imaginative ways outside of the regular system.

But this strategy, attractive though it is, is expensive and labor-intensive. How much money, how much effort, how many people are justified in pursuing a strategy which does good little things, some of them replicable and some not, and which has some, albeit limited, long-term influence in pulling the Government in the direction of basic human needs?

B. Opportunities in the Current Moroccan Situation

In recent months a deepening financial crisis has forced the Moroccan Government to confront certain unpleasant economic realities. One result has been the scrapping of a Five-Year Plan proposed for 1978-1982 and its replacement by a so-called Three-Year Plan which in fact will influence only 1979-1980 expenditures and scaling-down of development

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activities. This financial crisis is probably relatively short-term. For us its importance is its shock value for Moroccans. It is not amenable to alleviation by marginal increments of aid inputs and in a broad, strategic sense it should not affect our thinking.

At the same time, increasing public criticism of the failures and shortcomings of Moroccan Government social and economic development policies is heard. Knowledgeable critics in the political opposition, the academic community and even among government officials recognize (as aid donors have been saying for years) that the problems are not transitory phenomena but inevitable structural results of the Government's inadequate development policies. On its own terms the GOM has not made particularly effective use of its own resources for economic development during recent years. Its actual rate of growth has been substantially less than its potential, mostly because of failures in planning and executing development projects.

It is too early to evaluate the Government's seriousness of purpose in confronting real social and economic problems, but our observations lead us to believe that we are approaching a moment of truth when, for the first time in years, it may be possible to engage the GOM in a serious development dialogue and to agree on an assistance program which can make a real contribution to the social modernization of Morocco. During the next year or so, the outcome of our efforts to engage in such a dialogue will determine which of the AID strategy alternatives sketched below should be followed.

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C. Three Program Options

United States development assistance should not provide major transfers of resources as it did during the 1960s. Morocco has built relationships with a number of bilateral donors and international institutions, notably the World Bank, and has since 1975 been able to borrow extensively on the Euro-dollar market. Sufficient investment resources are thus available from other donors, bilateral and multilateral, and from private international borrowing to fulfill Morocco's needs. Even taking into account PL 480, the United States is, and should remain, a minor donor to Morocco. Within this context we should carefully consider the alternatives: a program at the present level, an expanded program or a reduced program. We recognize the options blur at the edges, but they provide policy choices which do have meaning.

Option One - Continue the Current Level

Our current program contains innovative and promising projects, especially in some interesting areas in social upgrading and women's education. Projects like the VDMS pilot population motivation effort, Dryland Agriculture Applied Research, Development Training and Management Improvement, Nonformal Education for Women and Industrial and Commercial Job Training for Women are positive departures, in terms of GOM commitment, from the relatively stagnant scene of not too long ago. Focused on key, albeit in part unrecognized Moroccan problems and entirely consistent with AID basic human needs priorities, they are potentially strong demonstrations to the GOM of the value of directing more attention and money to the social sector.

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In short, the current program, while not the result of rational development planning and a development dialogue with GOM policymakers, is a good base from which to begin such efforts.

Despite these positive aspects, we do not propose to continue the program at the current level, for the following reasons:

The FY 1979 development assistance program (exclusive of \$25-\$30 million of PL 480 and a \$10 million Housing Investment Guarantee) will be about \$8 million for ten grant-financed technical assistance projects in agriculture, health, population and education. The program's total costs (including dollar and dirham costs of 18 U.S. direct-hire staff, 18 local staff, 25 contract staff and a substantial number of TDY consultants) will amount to \$10 million. The program is labor-intensive, has high overhead and is expensive. When one considers its effectiveness and its impact on GOM development practice and resource allocation, the benefit-cost ratio is low. As a presence program, it is larger and more expensive than necessary. As a program designed for effectiveness and impact, it is too small to gain GOM attention except at a fairly parochial and, from a policy point of view, insignificant working level.

Option Two - Reduce the Program

Ruling out the option of eliminating the program entirely as politically undesirable, it would be possible to maintain a "presence" program at substantially lower cost for the dual purpose of providing a symbol of cooperation in development and encouraging continued exchanges (participant trainees, consultants) on development matters. For a program

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of this type current staff levels could be radically reduced (3-5 U.S. direct-hire and 5 local-hire would perhaps suffice), an AID Representative perhaps working in the Embassy economic section could be placed in charge, with projects carried out by contractors and TDYers supported by regional staff. As the GOM now expects relatively little from AID, it would not be disappointed if we moved in this direction over a period of several years, letting the program wind down naturally as projects come to an end. PL 480, population and participants and perhaps even occasional Housing Investment Guarantees would continue as symbols of American interest in Moroccan development.

Option Three- Expand the Program

For the reasons stated in paragraph B above, there is recent mounting evidence that the GOM may be becoming more receptive to suggestions for improving their development performance. If AID could undertake a development dialogue with the GOM on policies, priorities and programs, it might be possible for us to mount an expanded program--double or triple the current level--to exercise a catalytic, trailblazing role in areas of promise. Under this option, we would need to become involved in questions of Moroccan resource allocation. Of course we cannot dictate to the GOM how they should run their country, and we would not expect to sit in on major decisions and strategy sessions. But it ought to be possible as quid pro quo for U.S. resource flow in project X to have more Moroccan funds allocated to Sector Y whether this is or is not the sector in which project X lies. From AID's point of view, the GOM resource

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allocation question is the crucial one on which this option depends. This effort could be accomplished with essentially the current direct-hire staff level, increased slightly to strengthen our analytic and policy dialogue capacity, and supplemented by contract staff to carry out projects.

With PL 480 included, the United States is not an insubstantial donor and, given the possibility of an increase of our development program, the sum of resource transfer should not be uninteresting to the Moroccans. We believe we must find a way of discussing our program with the GOM in this strategic sense if the program is not to wither or to become too heterogeneous. We have thus far made some preliminary soundings in this direction, but the process has not yet begun in earnest. The year ahead will be decisive. It should be possible during that period to reach solid conclusions as to whether this option can be made to work.

D. Recommended Line of Action

We are generally agreed that Option 1, continuation of the current level, is unsatisfactory and should be rejected. In practice, we are aware that Options 2 and 3 may blur into Option 1 and at times seem indistinguishable from it; but to the degree our option distinctions are real, we wish to reject this option.

It is not clear how politically feasible Option 2, reduce the program, actually is. In our view, gradual reduction, skillfully executed, with attractive small propositions for the Moroccans during the period of reduction, cannot categorically be said to be out of the question. If it

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is politically not infeasible, this option is surely also desirable if the development payoff in Morocco is not better than it now is. Without having competence or space to do the appropriate opportunity cost analysis, under current circumstances it is clear to us that, other things being equal, money spent elsewhere than Morocco, beyond a certain point, could have more benefits than money spent in Morocco under current conditions.

But we believe that there are enough grounds for optimism in the current situation (the economic difficulties under which Morocco finds itself mean that even the contributions of a relatively minor donor are significant; the dissatisfaction of many Moroccans with their own performance leading to the possibility of some marginal change in resource allocation; and the acceptance, as a working proposition, that at least some of the new rhetoric is not only rhetoric) to justify probing into the possibility of Option 3. In a year's time, when this CDSS is revised, there is a chance that we will have progressed with the Moroccans to the point where we can propose and outline such a program for AID/W review and count upon positive GOM reaction, if that review is favorable, in implementing a program in Morocco. For this to take place, several conditions will have to be met:

- the USG/Moroccan climate of relations will have to be positive;
- we will have to be skillful;
- the Moroccans will need to progress further in their thinking about what should be changed.

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But if all these elements were present, there is a chance that it would work. It is our recommendation that Option 3, or at least the pursuit of Option 3, be selected while Option 1, the status quo, is pursued in the next year.

Two further points should be emphasized. The first is that we do not think we have lost our sense of proportion. We know that we cannot affect the grand lines of Moroccan development strategy, least of all by increments in our program level. We know that the Moroccans will not tolerate U.S. interference in their overall development plan. We are concerned here with margins. At these margins, it is conceivable that we can have an effect.

The second point stems from the first. We are recommending a program that has a higher payoff, is more economical to run on a person-month to dollar basis, and is more cohesive in its nature; but also a program which changes to some degree Moroccan resource allocation. Accepting that we are acting on the margin, we nevertheless believe that this option, in the final analysis, depends on some combination of Moroccan reallocation of resources to the traditional sector and/or into projects and activities with which we will become associated.

Pursuit of Option 3 will require major AID efforts in analysis and project development. By our legislation, we are inclined toward programs in population, agriculture, health (including nutrition) and human resource development. These are areas of less than top priority for the GOM. They are also areas in which our ignorance is large, and that of the GOM only slightly less so. If the GOM were so inclined, it would be possible for

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AID to provide a combination of grants and loans to finance technical and capital assistance, foreign exchange and local costs, in any of these sectors. It would be necessary to reach agreement with the GOM on priorities, study the conditions and the needs, and design a development program into which the GOM and AID could agree to channel substantial resources, and which would:

- focus on selected areas where U.S. training and advice is likely to strengthen local human resources and institutional capacity to carry out development effectively;
- include specific programs worked out in detail with the GOM which can be shown to contribute toward meeting basic human needs and have a consequential impact on population growth in the context of overall GOM economic development goals;
- change, to some degree, resource allocation by the GOM for programs and sectors where the U.S. is associated.

E. Analytical Requirements

In food and nutrition, we need to know more about the complex interrelations of the food production, marketing, distribution and consumption systems in Morocco. We need to examine the GOM agricultural commodity pricing and subsidy policies, their impact on farmers and on production incentives, the economics of agriculture in the non-irrigated areas, mechanization, the future of agricultural export markets, the adequacy of agricultural credit for small farmers, rural income and land distribution--to mention only a few randomly-selected aspects of the problems to be dealt with.

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In health and population, we need to look at the social and economic costs and benefits of current government policies and programs in these sectors, as well as the effects on health and population growth of other government policies (as, for example, in education, agriculture, energy and infrastructure development).

In education and human resource development, we need to find out more about the country's manpower needs, the costs and benefits of the current educational system as related to those needs, to unemployment, emigration from rural areas and the proliferation of urban slums.

It is clearly not possible, nor desirable, for AID to undertake the wide-ranging analysis which is more appropriately pursued by the GOM and major multilateral institutions like the World Bank and the IMF. We can and should, however, probe a few carefully selected fundamental issues to provide a sound basis for our dialogues with the GOM and for developing our own program. We will be developing our analytical program with greater precision during the next few months.

It is just possible that we may be able to demonstrate to the GOM decision makers, by the force of our analysis (assisted by that of the IBRD, Morocco's mounting social tensions, the example of Iran, which however can be interpreted in more than one way, and the pressures of external economic conditions), that greater attention to and more vigorous action in the productive and the social sectors are in fact the least painful way out of the current dilemma, and may be the price for survival. We should at least make a serious effort to find out whether this possibility exists and to develop a program based upon it.

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Part III - Proposed Assistance Planning Levels

Assuming the Pursuit of Option 3

During the period 1981-1985, we envision a consistent expansion of AID financing in agriculture, health and nutrition, and education and human resources.

In agriculture and rural development, we would continue and expand our efforts to strengthen agricultural cadres through the Hassan II agricultural institute and our activities to improve productivity in the dryland areas through better farming and range management. We would propose sector loans to finance regional development programs of the GOM.

In health and nutrition, we would build on our initial efforts in rural potable water and nutrition planning to develop a major health outreach sector loan, coordinated with the regional development programs mentioned above.

Population and family planning programs would continue at the expanded level for which we have already planned, strengthening GOM delivery capacity.

In education and human resources, we would build on the women's vocational training pilot projects now getting underway to develop a significantly expanded trades training program (tied to employment sector assessments).

In selected development activities, we would assist the GOM's priority efforts to develop energy resources through feasibility studies and management improvement, and would continue a modest program of exchange in science and technology.

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We anticipate that PL 480 Title I wheat sales will continue at about the current level. While total cereals requirements are expanding, and we project a consequent increase in wheat imports, Title I sales account for only a small fraction of the total import needs. The self-help element of Title I sales agreement will be strengthened to provide for a greater degree of direct attribution of food aid to GOM development projects.

The PL 480 Title II program of humanitarian food aid is projected to continue at the current level.

Housing Investment Guarantees are planned during the 1981-1985 period coordinated to the extent possible with our efforts in rural development, health and human resources development focused on improving the welfare and productivity of the rural and urban poor.

Staffing Implications

The proposed assistance planning levels will clearly require staffing increases. For direct-hire staff, we would anticipate an increase to a ceiling of about 20 Americans and the same number of foreign national or third country employees. These would be occupied primarily with analysis and program and project design. The proposed program would include a substantial amount of technical assistance. This would be provided under contracts and the number is estimated to be about 40--double that of U.S. direct-hire. We would lean heavily on TDY consultants and regional specialists to help with project design.

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Proposed Assistance Planning Levels (PAPLs)

Categories	Fiscal Years (in thousands of Dollars)					Total
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	
<u>Agriculture</u>	6500	2500	7500	8500	10000	35000
Sector Loans	5000		5000	5000	5000	
Project Grants	1500	2500	2500	3500	5000	
Institution Building	(500)	(1000)	(1000)	(1500)	(2500)	
Dryland Farming Inputs	(1000)	(1500)	(1500)	(2000)	(2500)	
<u>Health and Nutrition</u>	1000	5000	5000	5000	10000	26000
Health Outreach Programs	1000	5000	5000	5000	10000	
<u>Population</u>	3000	3000	3000	3000	3000	15000
<u>Education and Human Resources</u>	2000	3000	2000	5000	7000	19000
<u>Selected Development Activities</u>	2000	1000	1000	1000	1000	6000
Energy	2000		1000		1000	
Science and Technology		1000		1000		
<u>Total Aid</u>	14500	14500	18500	22500	31000	100000
<u>Approved Projects</u>	(6400)	(5200)	(4500)	(4000)	(4000)	
<u>PL 480 Title I</u>	12000	12000	12000	12000	12000	60000
<u>Title II</u>	15000	15000	15000	15000	15000	75000
<u>Housing Investment Guarantees</u>		10000		10000		20000

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