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INTERNATIONAL
DEVELOPMENT**

**COUNTRY FIELD SUBMISSION
FY 1972**

MOROCCO

**DEPARTMENT
OF
STATE**

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FY 72 COUNTRY FIELD SUBMISSION - MOROCCO

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Group 4

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EMBASSY OF THE
UNITED STATES OF AMERICA
Rabat, Morocco

June 12, 1970

The Honorable John A. Hannah
Administrator
Agency for International Development
Washington, D. C. 20523

Dear Dr. Hannah:

Although I have not been long in Morocco, I have become aware that a continuing bilateral US aid program is important to United States interests in this country, despite the increased role of the IBRD and other donors. For such a program to be most effective I believe there will also be a need for an assistance organization in the field. The size of this organization would of course depend on the nature of the future program.

I have participated in discussion of the major issues posed in this paper. I believe the paper is a valid basis from which to consider the future of the program here. As yet, however, I am not sufficiently conversant with the AID operation to form a judgment on all the details discussed.

Sincerely,

A handwritten signature in cursive script that reads "Stuart W. Rockwell".

Stuart W. Rockwell
American Ambassador

I. U. S. Objectives in Morocco

The goal of the aid program in Morocco continues to be to assist the GOM attain the objectives of the Five Year Development Plan (1968-1972). The political setting and rationale for the U. S. assistance effort in Morocco have been stated most recently in RABAT A-38 (Morocco: Guidelines for Policy, dated 3-4-70) and in earlier messages: RABAT 2900 (U. S. Policy Assessment for Morocco, dated 2-16-68), and RABAT A-34 (U. S. Policy Assessment for Morocco, dated 2-17-69), and remains valid for the current submission. Similarly, the general economic setting and analyses contained in the FY 1971 CFS are also applicable to the program discussed in this submission.

II. Morocco's Development Program and Accomplishments in 1969

Moroccan economic development has been analyzed annually in IMF and IBRD reports, which have increasingly noted positive improvements undertaken by the GOM in recent years. While the latest IBRD Economic Mission's report is not yet available, mission members appeared to be generally satisfied with Moroccan economic performance.

As was to be expected, the growth rate in the agricultural sector during 1969 failed to match the extraordinary level achieved as a result of the 1968 bumper cereals crop. Growth in agricultural output decreased by 10%.

By contrast, gross domestic product increased in other major sectors, ranging from 3.4% in mining to 10% in energy production, with the industrial sector showing a 7% advance.

Gross investment increased by 10% in 1969 in contrast to 4% in the preceding year (in terms of current prices), with investment reaching a level of 15.5% of gross domestic production.

Imports increased to Dh 2,840 million in 1969, 2% over the 1968 level, while exports rose 7% from Dh 2,280 million in 1968 to Dh 2,450 million in 1969. A greater level of industrial production led

II. Morocco's Development Program and Accomplishments in 1969
(Continued)

to increased imports of semi-manufactured goods and production equipment, offset by a 27% reduction in imports of foodstuffs.

Domestic savings also increased and, as a proportion of gross domestic product, attained a level of slightly above 15%. Domestic prices remained relatively stable, showing an increase of only 3%.

An analysis made for the High Commission for the Plan in early 1970 indicated generally satisfactory progress had been attained in 1968 and 1969 towards meeting over-all Plan targets.

III. External Assistance Requirements

The analysis of Morocco's likely needs for external assistance as provided in the FY 1971 CFS and reviewed and updated in Rabat TOAID A-293 (November 3, 1969) remains valid for the current examination. Continuing success of Moroccan development efforts indicate that the Moroccan economy will be capable of absorbing increased levels of gross investment.

With regard to the debt servicing burden, Morocco's present low burden will become more difficult over the next fifteen years as principal repayments on outstanding debts increase. In addition, new loans contracted to fund the expanding development program will progressively add to the total servicing burden. Morocco's ability to service this increasing debt burden will be determined to a critical extent by the terms of new loans, the economy's growth, and the ability of the economy to provide the foreign exchange needed to meet these obligations. Even if Morocco's economic performance continues to be good, there may still be a severe liquidity strain within a decade unless the new loans obtained continue to have a substantial concess-
ionary element.


III. External Assistance Requirements (Continued)

Effective utilization of foreign resources as well as the undertaking of priority efforts discussed in subsequent sections of this submission during the period covered will require mobilization of substantial local currency financing. Most of this must, of course, come from Moroccan internal sources. However, to help meet this need, as well as a considerable level of indirect foreign exchange costs, a larger proportion of foreign resources should be provided in the form of program-type assistance.



IV. The U.S. AID Program in Morocco

A. Summary of Issues and Recommendations for Agriculture Sector

Issue One

Given that agriculture is the heart of AID activities in Morocco, should there be major changes in the content of the agricultural program through the suppression of on-going activity or through the addition of new programs?

Summary Recommendation: While some streamlining of projects is needed and while some evolution of projects between now and 1972 will affect their organization, we foresee the continuation of present efforts in cereals improvement, range management, agricultural planning, agricultural education and financing of overall Moroccan development efforts through the agricultural sector loans as remaining the heart of the Agricultural program. However, it is strongly proposed that the USAID be authorized to enter into discussions with the GOM with the expectation that this would lead to two new activities:

- a. A project for improvement of grain storage facilities, with studies to be financed with DG funds and improvement programs to be financed with DL financing.
- b. A project to assist the GOM in developing and implementing an accelerated program for distribution of lands now controlled by the State and emanating from holdings taken over from former colons. We foresee the need for a combination of technical assistance under DG financing and probable assistance in local currency financing for credit and related inputs, primarily

through continued availability of financing under the agricultural sector loans.

Issue Two

Given the range of individual projects anticipated in the agricultural sector, what should be the form of organization of U.S. agricultural staff to be aimed at in the coming 12-24 months?

Summary Recommendation: While individual adjustments may have to be made, it is planned that by the end of FY 1972 the basic content of agriculture project operations will be carried on by contractors or other organizations. It is anticipated that the AID direct hire staff will be limited to a three man administrative and planning overhead group plus one project coordinator for the activities carried out by contractors in the cereals project.

1. U.S. PLANS FOR ASSISTANCE

a. Problems in Agricultural Development

The characteristics of Moroccan agriculture which pose particular problems in development were described in the FY 71 CFS. Briefly, these were: (1) population growth outstripping increases in agricultural output (except for the last two years); (2) a dual economy in which a large traditional element with low productivity and limited capacity for change over-shadows the modern or progressive element; (3) dependence on a variable and uncertain rainfall which compounds the

[REDACTED]

inherent reluctance of the traditional farmer to risk experimentation in crops and livestock; and (4) institutional weaknesses, chief among which are land tenure and reform, agricultural planning and administration, and shortage of skilled manpower to implement agriculture programs.

b. Recent Agricultural Output and Developments

As described in the FY 70 ASL paper, growth in agriculture output decreased by 10% during 1969 from the record 1968 output level. However, this still represented the second highest annual agricultural output on record. Although much of the past two years' gains have been due to favorable weather and growing conditions, some of the improvement can be attributed to heavier investments in agriculture, more concern and effort by the GOM, and improved administration. This is reflected by the demonstrated capacity of GOM to accelerate project implementation and raise investment levels by more than twofold over previous levels.

Heavy carryover from the record 1968 wheat crop offset the reduced 1969 crop but a lower level of commercialization and declining stock levels required the purchase in March 1970, of 100,000 tons under U.S. CCC credit for shipment prior to May 31, 1970. This is in addition to wheat imports under Title II and an anticipated \$2 million Canadian grant for the purchase of approximately 26,000 tons of wheat. It is expected that additional

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stocks of wheat will be purchased commercially (CCC credit) and perhaps under Title I for shipment prior to August 30 to rebuild security stocks and meet consumption requirements prior to the time when the 1970 crop reaches commercial channels in full volume.

Abnormally high rainfall during January of 1970 resulted in severe flooding in the Sebou river basin causing losses in sugar beet and citrus crops. In spite of this, the 1969-70 citrus crop was approximately 15-20% higher than the previous year. However, Moroccan oranges are meeting severe competition from Spanish exports of this commodity in Europe with resultant decrease in prices. By May 3, 1970, Morocco had exported 548,000 tons of citrus, which will be close to the total for the year, against hopes for 650,000 tons of exports. Total 1969 exports were 535,000 tons. However, lower prices will mean lower foreign exchange earnings in 1970.

The flood losses in the Sebou may reduce sugar beet production in 1970 from that of 1969. For this reason, a recent trade agreement with Cuba for 300,000 tons of sugar may be well utilized. At the present time, five sugar mills have been completed or are in the process of construction in the Tadla and in the Rharb Plain, with two additional plants planned to be constructed.

The following is a summary of GOM accomplishments during

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1969, most of which were described in the 1970 ASL paper:

1. More than 40% increase in enrollment at the National Agricultural School at Meknes.
2. Enrollment of 45 students in pre-veterinary training at Mohammed V University and development of plans for the establishment of a school of Veterinary Medicine.
3. Development and staffing of the Agronomic Institute.
4. Accelerated rate of land development for the Zebra and Bou Areg areas of the Lower Moulouya.
5. Issuance of the Agricultural Investment Code.
6. Improvement in agricultural credit during the last two years through expansion and strengthening of CNCA activities.

C. Other Donor Assistance in Agriculture

The following is a brief summary and updating of FY 71 CFS and 70 ASL papers on this subject.

1. IBRD: has designated Morocco an emphasis country and plans to provide new lending at the rate of approximately \$50 million per year. \$46 million loan for development of Sebou made in 1969.
2. UN Special Fund: Sous-Mousse study team now preparing overall development plan to coordinate rapid expansion in small scale groundwater irrigation activities. Other

activities include FRAN (dryland agriculture); DERRO (development in Rif area of North Morocco); National Documentation Center; assistance to National Forestry School.

3. Belgium: Soil specialists to Agronomic Institute and anticipated increase in total number of agricultural technicians.

4. Canada: instructors for the National Agricultural School at Meknes; cadastral survey covering 635,000 hectares; proposals to provide up to six professors and laboratory equipment to the Agronomic Institute; and development specialists for a project in Tetouan Province.

5. Great Britain: technical assistance in animal husbandry and crops research amounting to \$100,000 - 150,000/year through 1972; capital assistance to agriculture of \$360,000 for the same period.

6. West Germany: long term financing plus minor technical assistance in agriculture.

7. Rumania: technical assistance in meat slaughtering and cold storage facilities.

8. France: through its general technical assistance programs, France provides teachers for various agricultural and science institutes, advisors in a range of technical areas and operating personnel for several sections of the Ministry of Agriculture and subordinate agencies.

While none of the above projects overlap or duplicate present or planned U.S. activities, increased efforts will be made to coordinate these activities at all levels of administration.

2. ROLE OF U.S. ASSISTANCE IN AGRICULTURE

In recognition of the desire to concentrate U.S. assistance along lines foreseen in the Peterson Commission Report and AID/AFR's own planning guidelines, it is proposed to concentrate U.S. inputs in agriculture in the three areas of production, planning, and training of urgently needed technical personnel. We intend to continue the Cereals Production and Livestock and Rangeland Improvement projects. We propose tentatively (subject to progress over the next 12 months) continuation of the recently begun Agricultural Planning project beyond FY 1972.

Thirdly, assistance to the Hassan II Agronomic Institute in plant and soils sciences will be continued beyond FY 72 and, largely in recognition of Morocco's planning needs, it is proposed to extend this assistance to the field of agricultural economics.

Complementing technical assistance to increase production, a need is foreseen for capital assistance for grain storage and another agricultural sector loan in FY 1972. These proposals are further discussed in paragraphs g. and h. below.

a. Increase in Cereals Production Project (608-11-130-058)

This 7-year project addresses one of Morocco's most serious agricultural production problems - a chronic shortage

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of wheat. Our efforts are concentrated on three fronts; (a) three technicians are engaged in applied research on varietal and production problems; (b) four extension agronomists are carrying out production demonstrations to train farmers; and (c) Moroccan agronomists are being trained locally, at CIMMYT ^{1/} and in the U.S. A direct hire project manager coordinates the activities of project staff members supplied by the Near East Foundation, CIMMYT, and one direct-hire agronomist.

With the exception of an additional agronomist (seed production and certification) for which we have requested AID/W approval, and switching the direct-hire agronomist position to the Near East Foundation contract, we anticipate no major changes in the structure of the project by FY 72.

b. Livestock and Rangeland Improvement (608-11-130-078)

In this project we are attempting to develop and demonstrate, in pilot areas, improved rangeland and livestock management practices. The project is now scheduled to terminate at the end of CY 1972 but we consider that it will likely be necessary to extend the project at least two years to permit achievement of project objectives.

We anticipate moving toward a restructuring of project personnel so that by FY 1972 our technical assistance input will be through a contract with a private firm or institution or a PASA with an appropriate agency of the U.S. Government.

1/ International Corn and Wheat Improvement Center

[REDACTED]

c. Assistance to Higher Agricultural Education (608-11-110-088)

This new 7-year project has just gotten underway with the recent signing of a contract with the University of Minnesota to provide teaching, training, and limited commodity assistance to the Hassan II Agronomic Institute. The Minnesota effort will initially concentrate on plant and soil science, two vitally important specializations urgently needed to support the cereals production project described above. It may be desirable to expand the project in FY 72 or 73 to include agricultural economics which would support the agricultural planning project.

d. Agricultural Planning (608-11-140-087)

A major institutional weakness in the Ministry of Agriculture is the lack of careful and coordinated economic analysis during the planning of various development activities. To assist in solving this problem the U.S. is providing the Ministry of Agriculture with a 4-man team under a DG-funded host-country contract with International Development Services which has as its major objective the demonstration of modern methods of agricultural planning and the establishment of a planning group eventually staffed by Moroccans.

We anticipate that it will be necessary to extend this project beyond FY 1972 as it appears unlikely that a staff of Moroccan planners will be trained by that time.

e. Agricultural Development Support (608-15-199-036)

We anticipate that in FY 1971 the USAID will move toward
[REDACTED]
[REDACTED]

reducing direct hire agriculture positions and in FY 1972 will have only four direct hire technician positions, all funded under this project. These positions would constitute a planning and management group comprised of the Food and Agriculture Officer, a Deputy, the Program Assistant and the Project Manager for the Cereals Project.

f. Introduction of U.S. Private Enterprise

Through financing of pre-investment surveys, Cooley loans and the Large Unit Agriculture (LUA) program, AID has been moderately successful in attracting American firms to invest in Morocco.

The initial statement of purpose and objectives of the LUA and agricultural private enterprise programs foresaw opportunities for U.S. private enterprise in the operation and exploitation of the extensive recuperated lands now controlled by the GCM. Experience with the private investment projects which involve large tracts of land suggest that we should restudy this element of the LUA program, perhaps limiting studies to agri-business industries which are interested only in processing and marketing and do not require a substantial block of land under control of the firm. As indicated elsewhere in this CFS, we intend shifting investment promotion activities from the USAID to the Embassy Economic Section in FY 1972. However, the direct hire agricultural staff available under Project 036 will be available to aid in technical evaluation of proposed agricultural investment projects.

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g. Capital Assistance

It is foreseen that a survey financed with DG funds in FY 71 will lead to a FY 72 loan for grain storage facilities including design and engineering specifications and some specialized equipment. This dollar loan could be supplemented by local currencies, generated from agricultural sector loans to finance local construction costs. Dollar funds and local currencies would also be used for review and planning of grain storage and marketing policies, to be extended in subsequent fiscal years to other crops and agricultural commodities as well (e.g., edible oils, livestock production).

h. Agricultural Sector Loan

As pointed out in the Mission's earlier analysis of external financing requirements, a larger proportion of program type assistance is responsive to Morocco's needs for financing of indirect foreign exchange costs of development and to permit more rapid and effective utilization of foreign credit. Accordingly, the Mission is proposing a further agricultural sector loan which would be available to supply (1) general commodity imports with resultant local currency proceeds being used for agricultural sector development; (2) specialized equipment and commodities required in support of AID projects (e.g., laboratory and research equipment for the Agronomic Institute) and other GOM projects; and (3) personal services

such as in feasibility studies.

Local currencies generated by the agricultural sector loan, which is proposed at a range from \$8-12 million, would be used for completion of local construction and other costs in the Lower Moulouya and for a program of selective credits and subsidies in support of the Livestock and Rangeland Improvement Project and Cereals Production activities, as well as the general range of local currency elements of the Ministry of Agriculture's development program.

The U.S. has technical assistance activities requiring local currencies and smaller amounts would be required for budgetary support of GOM efforts to expand and improve agricultural training facilities. This would include both the Agronomic Institute and Moroccan institutions where there is currently no AID input (e.g., the Meknes Agricultural School).

1. Farm Settlement and Training

The GOM is becoming increasingly concerned about the need to step up the rate and effectiveness of its land distribution efforts. A request was made to the IBRD in February 1970, by the Ministry of Agriculture to provide assistance in a land distribution program "Allotissement des Terres Recuperees". The project calls for an average annual distribution of 20,000 hectares. The land to be distributed is presently being operated as state farms under the Ministry of Interior. However, the

Ministry of Agriculture is expected to regain control of these farms after 1970. The size of farm to be established would depend on the relative productivity of the land and be based on that required to obtain an approximate family income of 4000 dirhams per year.

Since there is strong doubt that IBRD will be willing and able to provide the assistance requested for this project largely because of its high local currency element, it is proposed that the U.S. offer to provide assistance on a smaller scale in the form of a pilot program of model cooperative settlement and training farms.

The objectives of this project would be to:

1. Provide increased rural employment through expansion of labor intensive, high return crop and livestock enterprises.
2. Assist beginning farmers in the establishment of improved management techniques in production and marketing farm products.
3. Attract foreign capital and financial expertise in mobilizing domestic capital for agricultural development with minimum requirements from public funds.
4. Provide means and methods of training young farm youths and adult farmers in basic agricultural and technical skills who presently do not have this opportunity.
5. Assist in the development of effective farmer

cooperatives which will strengthen the social and political structure of the rural areas while at the same time provide a basic democratic institution for the economic advancement of farmers.

6. Demonstrate to present operating farmers the gains to be derived from carrying out improved farming and marketing practices through private enterprise efforts.

This project would be implemented through a contract with a U.S. agricultural development corporation which would provide technical, managerial, and training service to the farm settlers. USAID would finance the purchase of farm machinery, shop, and training equipment for the establishment of pilot training and demonstration farms.

This project, by utilizing the total "package approach" to development, would have a more balanced and far reaching effect than other projects and would have the potential for large scale expansion. The major costs of the project would largely be labor and resources already underemployed in the country. Lastly, the managerial and administrative load for implementation would be minimized for the potential impact.

AID/W's concurrence is required to authorize the USAID to open discussions with the GOM on the form such a project might take.

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B. Summary of Issue and Recommendations on Unemployment and Urban Development

Issue: Should the problems of unemployment and urban development serve as a more central focus for a series of AID activities than has been the case in the past and, if so, what form should such assistance take?

1. Introduction

Morocco has been chronically afflicted with problems of unemployment and underemployment and this problem is exacerbated in the urban areas by a continuing migration of persons from rural districts.

While the 1968-1972 Five-Year Development Plan estimates that a total of 485,000 new jobs will be created during its life, the number of additional persons seeking employment during this period is estimated at some 710,000. Although there may be some question about the full accuracy of these statistics, they would suggest that even with accomplishment of all Plan targets the difference between jobs created and persons seeking employment will increase currently estimated unemployment by over 25% (from some 878,000 in 1968 to over 1.1 million people in 1972.) Supporting this indication of trend is a study financed by the Ford Foundation in October, 1969, which concluded that the urban population in Morocco will increase by over one million people during the next five years even assuming the success of the rural development and family planning programs.

The Moroccan development strategy expressed in the Five Year Plan has been to emphasize agricultural development in an attempt to minimize the migration to the cities and to develop increasingly a basis of rural consumers of finished goods which over time will stimulate further industrial development

[REDACTED]

B. Summary of Issue and Recommendations on Unemployment and Urban Development (continued)

1. Introduction (continued)

While not explicitly stated, Moroccan policy has assumed that efforts to improve urban conditions to a significant degree would tend to encourage more immigration before productive employment opportunities were in existence and that such accelerated movement was to be avoided. Thus, the key elements of GOM strategy to meet unemployment problems may be summarized as follows:

- a. Emphasis on agricultural development schemes.
 - b. Use of Promotion Nationale (PN) as one means of keeping rural population in rural areas, at the same time utilizing PN to develop simple infrastructure facilities which can encourage further development of the rural areas.
 - c. Encouragement of private investment in industry to permit the growth of an industrial base without the use of significant governmental resources which thus are made available primarily for agricultural development projects. Stimulation of private investment by the GOM has concentrated to a significant degree on tourism, not only for that sector's substantial foreign exchange earning capacity, but also because of its potential for providing jobs at lower investment costs.
 - d. Encouragement of emigration of unskilled workers into the European labor market which removes such workers from the Moroccan market for a period of several years and results in the eventual return to Morocco of workers with greater skills. For example, the IBRD reported that recent migration of Moroccan
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B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

1. Introduction (continued)

workers to EEC countries was 45% higher than in 1968 (an increase to 19,338 from 13,339).

In general, the GOM strategy has seemed reasonable under the circumstances and has obtained the approbation of the IBRD and international agencies (e. g., IMF, UN). However, there has been increasing concern about the social implications of expanding urban unemployment, and this was a matter of concern at the October, 1969 Consultative Group meetings. At that time, Finance Minister Tahiri stated that while rural unemployment was largely seasonal, continuing migration to the cities had created "severe urban unemployment, and that the GOM was planning to redirect the focus of Promotion Nationale activities more to urban projects, particularly to the improvement of housing and public health."

The Ford Foundation report noted above was prepared by Mr. Alfred van Huyck of PADCO.^{1/} It appears to have generated great interest in the Ministry of Interior. Besides estimating the magnitude of current and future urban population concentration, it addressed the problem of bidonvilles and urban housing and concluded that:

(1) Low-cost housing programs are not an adequate answer by themselves, since they have been too expensive for the government to finance and, in fact, the number of units proposed has been reduced over the last few years.

(2) Use of police power to restrict the spread of bidonvilles in the face of severe population pressure is forcing the densities within the bidonvilles and medinas to dangerously high levels. This places an additional hardship on the people of stimulating social unrest.

1/ Planning and Development Collaborative, Washington, D. C.

B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

1. Introduction (continued)

(3) A short-term strategy for dealing with the bidonvilles is needed urgently since they will remain as part of the urban structure.

While increasingly concerned about the urban problem, the GOM is in a quandary concerning it. Resources marked for development in the Plan will be difficult to shift to social uses and the availability of important additional resources from internal sources is likely to be limited. With the modest family planning program contained in the Five-Year Plan lagging substantially behind its accomplishment targets and with implementation of the program expected to proceed at a relatively modest rate, the GOM recognizes that the unemployment and urban unrest problem may become even more acute than presently envisaged. An indication that the U.S. is prepared to devote some attention to the problem may well help the GOM to galvanize some of its own resources to help deal with the problem. In addition, U.S. involvement in GOM efforts to provide a check on growing unemployment and in providing a more comprehensive and orderly development of life in the urban areas would be consistent with AID's continued emphasis on programs designed to increase popular participation in the planning and implementation of programs and the attainment of a greater share of benefit from assistance activities supported by the U.S.

Under the circumstances, the Embassy and US AID believe it desirable to focus certain activities around the problem of unemployment and urban development. The question becomes one of deciding what should be the thrust of such a program, recognizing likely limitations on resources.




B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

1. Introduction (continued)

Although recognizing that reducing unemployment and urban development may be desirable activities, in principle, to become involved in, there are a number of problems raised with respect to U. S. involvement that must be considered. First is the lack of comprehensive, reliable data. Attempts to improve Moroccan capabilities in gathering and analyzing such data would appear to be a priority activity to which to provide encouragement, although our own capacity to work in this area is limited. The GOM Ministry of Labor is one of the weaker ministries and considerable strengthening of its staff will be required to permit the undertaking of expanded training programs; for example. AID's role in this area is probably best left to an exhortative one and an effort to find other, better qualified donors to help, except for possible limited participant training.

Secondly, the expected limitations on U.S. resources available for support of new programs will preclude large mass efforts, and we must be precise in deciding what to do. The limited detailed knowledge at this Mission concerning successful AID activities in the field of urban development, coupled with insufficient staff versed in this field, makes the presentation of a program more difficult.

A third problem is to find means to tread a delicate path between rising urban unemployment and the cry for social services on the one side, and the real danger on the other hand of encouraging accelerated migration from the rural areas as a result of efforts to improve the lot of the pauperized urban dweller. The thrust of U.S. assistance efforts in Morocco has always been to stress support of the over-all development effort without specific emphasis



B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

1. Introduction (continued)

on social improvements related to urban problems. However, it is now felt we must pay more attention to the non-economic factors influencing national stability to avoid conditions which would jeopardize substantially the development effort and the attainment of U. S. foreign policy objectives.

The major purpose of this part of the CFS is intended, therefore, to stimulate discussion in the Program Review on this issue and to determine general directives to follow, rather than to recommend precise projects and programs. In this connection, it is to be noted that the GAO report now being prepared on Morocco can be expected to make a positive recommendation that AID programs deal more explicitly with this problem.

As seen by the Mission, the U. S. involvement in this sector will concentrate on two broad sub areas: (1) a sharpening of activities to stimulate industrial production and private enterprise, which remains, as previously identified, the most effective and immediate way of contributing to the provision of an economic solution to the increasing social problem of unemployment; and (2) examining possibilities for assistance to a number of urban development activities designed to provide improvement in the quality of life in the areas inhabited by restless job seekers.

2. Industrial Programs to Expand Productive Enterprises and Thus Provide Jobs at a Faster Rate

a. Industrial Planning Group. The recent IBRD study missions to Morocco reiterated that planning capability of the individual operating ministries was ~~largely non-existent and~~ required considerable

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B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

2. Industrial Programs to Expand Productive Enterprises and, Thus, Provide Jobs at a Faster Rate

a. Industrial Planning Group (continued)

augmentation. We believe that the next Moroccan Five-Year Development Plan will require a very much more comprehensive plan with respect to industrial development than the present Plan's relatively general content. Critical areas requiring attention and study include topics such as a more precise evaluation of the benefits of association with the EEC and with Maghreb partners and what these associations should mean in terms of promotion of specific industrial opportunities, and greater examination of increased production for export markets for industrial goods in contrast to current emphasis strongly directed to the fostering of import substitution industries. The recent IBRD industrial team will undoubtedly make a number of significant recommendations in these various areas. These need to be followed up by local action. We see an opportunity for a U. S. consultant team to work in that capacity. Following upon the model of the establishment of the agricultural planning unit within the Ministry of Agriculture, it is proposed that a similar unit be established in the Ministry of Commerce and Industry or other suitable entity through a contract with a U. S. university or private consultant firm active in the development planning field. We believe that current effort to reformulate the future and role of the Moroccan Office of Industrial Studies and Promotion (BEPI) provides a potential focus for such an effort.

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[REDACTED]

[REDACTED]

B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

2. Industrial Programs to Expand Productive Enterprises and, Thus, Provide Jobs at a Faster Rate

c. U. S. Investment Promotion. Current Mission efforts in this field would be continued, with special emphasis on continued large-unit agricultural studies. Provision of local currency funds for "Cooley"-type loans, and other specialized efforts to promote increased foreign investment in Morocco.

These investment promotion activities will be supervised and coordinated during FY 1971 by the US AID direct hire private enterprise advisors. Since dollar funding for these activities will be provided from regional funds according to recent guidances, no budgetary provision is made except for the costs attributed to the advisors. For FY 1972, it is contemplated that these activities will be conducted in the field under the aegis of the Embassy Economic and Commercial Section, thereby consolidating the current US AID and Embassy contacts with U. S. businessmen in close conjunction with the Washington offices of OPIC. Thus, we would plan that US AID direct hire positions would be phased out some time in FY 1972.

3. Urban Development

At this stage, it^{is}/extremely difficult for the US AID to make definitive recommendations with respect to programs of urban development for FY 1971 and FY 1972. This is true for two reasons: (a) Having purposely concentrated past activity in the agricultural and family planning fields, we have avoided significant discussions of urban problems which could lead to requests for assistance to which in the past we were unprepared to respond favorably. Hence, we have inadequate knowledge of Moroccan views of the problem of urban development; (b) ~~Lacking~~ a professional staff which has dealt with

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B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

3. Urban Development (continued)

urban development problems, US AID resources are inadequate to analyze the existing situation and to propose effective program solutions. Consequently, this part of the CFS is intended to serve as an exploratory document rather than one making specific and positive program recommendations, with the hope that discussions between AID/W and the US AID will lead to agreements on specific means of proceeding.

Several areas of potential action appear worth exploring. We look to the Program Review to authorize the US AID to look further into the following:

a. Promotion Nationale:

(i) Program Content - In the past, the urban sector has been the weakest element of the Promotion Nationale program, largely due to the difficulty of finding labor-intensive projects with economic potential and the temptation for municipal officials to use PN for casual labor outside the framework of specific projects. Because of these weaknesses, the US AID obtained the elimination of the "Travaux Municipaux" category of PN projects. While accepting that make-work type municipal projects should be terminated, certain PN officials see the need to find new forms of municipal PN projects to alleviate urban pressures in the form of housing projects, provision of simple urban facilities such as clinics, schools and parks and related efforts. It is our conviction the GOM will be pressing to move in this direction, so that the question becomes not whether PN will have an important urban element to its programs, but how a PN urban effort can be channeled along most constructive lines.

For this purpose, we need guidance from AID/W on experiences obtained elsewhere. AID has substantial experience in urban programs in other parts of the world, especially in Latin America. Are there lessons that can be applied to Morocco?

[REDACTED]

B. Summary of Issue and Recommendation on Unemployment and Urban Development (continued)

Secondly, we think there would be value in seeking to get the Peace Corps architectural program more directly involved in helping PN in devising appropriate urban projects.

Thirdly, we believe short-term technical expertise discussed in the following section can be used to improve the direction of PN urban efforts.

Finally, we believe local currencies should be made available to help the GOM finance certain costs of urban activities. Although it is possible that this could be handled through allocation of PL-480-generated counterpart funds, we believe it would be preferable to obtain new inputs of resources, specifically PL 480 Section 204 funds or the sale of a percentage of Title II wheat donations.

(ii) Promotion Nationale and Training: Officials of the Promotion Nationale believe that this program, while serving many useful purposes in terms of work provided and facilities constructed, has paid inadequate attention to using PN programs as training grounds. Urban development projects would be a particularly desirable area in which to seek to develop improved skills through the PN program. We need to see if the PN program can be used as a source of developing urban project supervisory personnel, skilled workers in building trades and the like. We again need to draw on AID/W's knowledge of successes and failures in this sort of endeavor in other programs. If there are real prospects for using PN urban projects as a focus for vocational training programs, there would undoubtedly be a need for some form of local currency financing, similar to that indicated in the paragraph above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

B. Summary of Issue and Recommendations on Unemployment and Urban Development (continued)

b. Technical Assistance:

While we think a movement of the Promotion Nationale towards simple urban projects is an important move and should in any event be supported, we believe it desirable to explore other prospective areas of urban development and renewal in which AID technical assistance and perhaps local currency financing could be devoted.

As a result of the Program Review, it would be planned that the US AID could begin initial explorations of GOM views on urban development and areas in which the GOM might be desirous of technical and financial assistance for urban undertakings. Depending on the attitudes and views elicited in such discussions, the US AID would propose the undertaking during FY 1971 of exploratory study missions covering such questions as:

(i) Urbanization aspects of national economic planning and the role of the city in supporting economic growth.

(ii) How to improve the economic conditions of bidonville residents through the introduction of profit-making activities.

(iii) Feasibility of shifting the problem of the bidonvilles from the public sector to the private sector through such means as the establishment of Neighborhood Development Corporations.

(iv) Possible training programs to be undertaken to improve urban planning abilities.

It is anticipated that as a result of studies to be undertaken in FY 1971, the identification of a single, longer term, coordinated technical assistance effort in urban development activities might well be developed for implementation in FY 1972 and subsequent years. Again, it would be hoped that any such program could be worked out in cooperation with the Peace Corps and in conjunction with its existing architectural program.

[REDACTED]

[REDACTED]

[REDACTED]

B. Summary of Issue and Recommendations on Employment and Urban Development (continued)

c. Housing Development:

Certain housing development programs are already under way. The Ministry of Interior has undertaken within the context of the Five Year Plan a modest low and middle-cost housing program. While a desirable program, financing has been limited and costs sufficiently high that progress has been limited.

As indicated above, we foresee the possibility of PN programs providing some assistance in low-cost housing and in ameliorating bidonville living conditions. The technical assistance efforts noted above are also expected to address the matter of bidonville improvement.

In addition, the World Food Program project for housing in irrigation perimeters appears to be finally getting off the ground and deserves full support.

Depending on the financial resources which may be available for low and medium-cost housing development, the US AID desires to explore with AID/W possible additional housing development activities, including technical advisory services in housing development (tied in with technical assistance efforts indicated above), undertaking of possible housing guaranty programs, promotion of demonstration of new techniques available for low-cost housing purposes, and the like. To the extent that it appears possible and appropriate to move into financing of housing development, we would foresee such programs taking place both within the context of alleviating housing difficulties in overcrowded locations such as Casablanca and in the development of improved housing facilities in "barrier" and satellite cities, i. e., smaller but developing rural centers such as Berkane, where rural-based activities are providing increased opportunities for employment in agri-business opportunities, transport, contracting and other services and where housing development appears required.

[REDACTED]

[REDACTED]

[REDACTED]

B. Summary of Issue and Recommendations on Unemployment and Urban Development (continued)

d. Urban Facilities:

Based on the lead of the IBRD, AID should also continue to be prepared to participate in the financing of urban improvement facilities such as water, sewage and electrical facilities. Specifically, it is anticipated that AID will finance certain engineering services in connection with the Kenitra-Rabat-Casablanca water system in FY 1970 and FY 1971. Depending on the role which the IBRD itself is to play in financing of construction of elements of this new system, recommendations may later be made for AID to participate in the financing of certain additional elements of the system. Equally, following further development of the WHO/Special Fund study on sewage treatment requirements and IBRD decisions on the role it may play in improvement of these facilities, AID may wish to consider participating along with other donors in the development stage of this program. No specific recommendations for financing beyond the water supply project are now made, except that this is considered as an area for which AID capital financing can be made available in appropriate cases.

4. Summary of Recommendations:

It is recommended that the Program Review lead to agreement on the following points:

(a) **Industrial Planning Group:** It is recommended that US AID be authorized to explore with the GOM the possible provision of planning assistance in industrial development during FY 1971 which could lead to financing of a self-contained, host-country contract in FY 1972.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

B. Summary of Issue and Recommendations on Unemployment and Urban Development (continued)

4. Summary of Recommendations: (continued)

(b) Industrial Management Training: It is recommended that US AID be authorized to explore, through existing direct hire staff, a substantially expanded participant training program for middle-level management and technical personnel in the industrial field. For maximum benefit, AID should be prepared to indicate willingness to support a program over three to five years so that a long-term training program, including the preparation in the English language of potential participants, can be rationally devised.

In addition, it is proposed that the US AID and AID/W explore during the period of FY 1971 means to find a contractual group which could undertake the supervision of this training for AID and remove direct hire AID personnel from the day-to-day functioning of the project. AID/W suggestions on potential contractors is needed.

(c) It is recommended that the US AID plan on eliminating all direct hire industry staff during the course of FY 1972, to be replaced by the two contracts noted above and leaving assistance to potential U.S. investors to OPIC at the Washington level and the Economic Section of Embassy at the field level.

(d) It is recommended that US AID move with the Promotion Nationale towards the development of selective urban development projects. For this purpose, it is recommended that AID/W analyze similar undertakings elsewhere and help the US AID determine how this new emphasis might be most fruitful. To the extent appropriate, AID/W and the US AID should provide for field studies which can advise the Promotion Nationale on appropriate urban development projects.

[REDACTED]

[REDACTED]

B. Summary of Issue and Recommendations on Unemployment and Urban Development (continued)

4. Summary of Recommendations: (continued)

It is further recommended that funds be made available in addition to wheat contributions for support of Promotion Nationale urban development projects. Up to \$1 million should be provided either from PL 480 Section 204 funds or through the provision of additional Title II wheat in this amount which may be sold to generate local currency.

(e) It is recommended that US AID be authorized to open discussions with the GOM on possible areas in which AID technical and financial assistance to Moroccan urban development efforts might be extended. It is recommended that, subject to the response to initial discussions between the GOM and the US AID, that AID/W and the US AID be prepared to undertake appropriate short-term technical studies of areas of urban development which could be dealt with by Promotion Nationale, by local currency financing programs and by possible longer-term technical assistance efforts.

(f) Housing Development: It is recommended that the US AID and AID/W review together the possibilities for financing of low and medium-cost housing developments through guaranty programs or other forms of financing.

(g) It is recommended that AID be prepared to continue to be receptive to modest capital project financing for urban development projects in water supply, sewage systems and electrical distribution developments.

[REDACTED]

C. Population/Family Planning

Reference documents: (1) TOAID A-662 (Population Programs FY 1969 and FY 1970 Transmitting PROP for Project No. 608-11-580-089), 12/3/68; (2) RABAT A-222 (Strategy for Family Planning in Morocco), 12/4/69; and (3) TOAID A-68 (Spring Review of Population Program), 2/20/70.

1. Discussion:

The family planning phase of the Population/Family Planning project has been slow in getting started. During CY 1969, the Moroccan national FP project only reached 17.5% of its goal of IUD insertions (a target of 400,000 insertions was established for the Five-Year Plan period 1968-72). However, oral contraceptives showed better acceptance rates with 10,000 women receiving pills at the MPH clinics after one year's trial and an additional 30,000 cycles sold monthly at private outlets, pharmacies, etc. The MPH will, therefore, utilize a "multiple choice" approach with IUD's, pills and condoms as the major choices in order to reach their total goal of 600,000 fertile couples utilizing contraceptives by the end of 1972.

Although this goal presently appears over optimistic, the Mission will use FY 1971 to continue to urge action and is expecting a GOM determination to achieve a greater percentage of its objectives and include an active, comprehensive program in the next Plan. Planning assistance from the CRED team should be useful in

sharpening the GOM's focus on the inter-relationship between family planning, improvement of social services and economic development.

2. Proposed FY 1972 Activities:

a. Population Laboratory (\$200,000)

A Project Agreement to establish a Population Laboratory "Centre de Recherches et d'Etudes Demographiques (CRED)--in Morocco will be signed in June, 1970 by the GOM. The Center will be established under a contract with the University of North Carolina as an independent Moroccan research institution for developing and testing new measures for collection of demographic and population data. Outputs will be utilized to improve Moroccan statistical surveys (such as the Population Change Survey) in the population field and heavy emphasis will be given to training Moroccan counterparts to continue the Population Laboratory under Moroccan leadership after the University of North Carolina's advisor has left.

b. Population Change Survey (\$500,000)*

This survey is planned for a four to five year period following the 1970 Census with the purpose of providing death, birth, infant mortality, migration and population growth rates for Morocco through statistical sampling in different economic regions.

*We presume HEW interest in this activity will be maintained; if not, AID funding is recommended.

c. Commodity Support (\$600,000)

Pills (2.4 million cycles = 200,000 women for one year @ \$2)	400
Other contraceptives	100
Educational commodities	100

d. Project Management (\$50,000)

Realization of FY 1972 plans would necessitate administrative and secretarial support to the POP/PH Officer.

e. Participant Training (\$50,000)

There is need for training of MPH senior officials in PH Administration, population dynamics and family planning, preferably in French speaking universities, e.g. University of Montreal. In addition, short-term training for provincial medical officers, which is anticipated to begin in FY 1971, would be continued and intensified.

f. New Activity (\$200,000)

Establishment of demographic training facilities (initial funding for a contract for U.S. professors, Ph.D. training for Moroccan senior cadre, short-term training for others).

NOTE: GOM officials have expressed an interest in such a project because of the lack of demographic training facilities for French speaking Africa. If realized, the project will be closely coordinated with the U.N., ECA and other relevant international organizations, and may be developed in conjunction with the Population Laboratory under a contract with the University of North Carolina, and could eventually serve the whole French speaking African region.

Total (grant funding) \$1,100,000 - \$1,600,000
 Plus local currency budget support of up to \$1,000,000
 to be provided from PL 480 counterpart or U.S.-owned
 excess currencies.

V. Phase-Out Projects

As indicated elsewhere in this submission, we are seeking as much as possible to conform to the new Africa approach on Technical Assistance. Accordingly, the Special Self-Help and Development Fund will be used only in exceptional cases such as opportunities to create new openings for Family Planning activities. In FY 1971 the Industrial Development Support project will be used as the means of setting the framework for two industrial projects to be carried out by contract in subsequent years, with all direct USAID activity being phased out during FY 72. Similarly, General Training activities will be discontinued after FY 1971 funding of the remaining academic years for 16 Moroccan students.

Under the guidelines established for the present submission, the project for providing development planning assistance to the Ministry of Plan is an activity that must be considered terminating in FY 1971. We recommend against this course and propose a final funding of the project in FY 72. The project, being financed initially in FY 1970, has been approved for a three year period. Development of adequate Moroccan planning capabilities remains a critical need. It is imperative for the project to continue over its planned three year period. While terminal funding might be provided in FY 1971, we do not believe the amount needed, \$650,000 can be fully accommodated within contemplated FY 1971 budget availabilities. Accordingly, we propose \$400,000 of FY 1971 funding with the \$250,000 to be provided in FY 72 to carry the project to its scheduled completion.

The project providing the assistance of a team from the Bureau of the Census in connection with the 1970 general population census of the GOM is scheduled to terminate at the end of FY 1971 and there are no present plans for extending this assistance per se. Planned provision of experts and training in demography and population change work through the Population Laboratory, Population Change Survey, and proposed demographic training project will provide substantial and perhaps adequate assistance to Morocco in this important field. However, during FY 71, we need to see if the Census Team should be extended somewhat for related demographic work.

VI. FY 1972 A.I.D. Budget Level

A. Basic Budget Request

USAID/Morocco's basic budget request consists of \$2.5 million of Technical Assistance grants, \$1.1 million of Family Planning grants, and \$10 million of Development Loans. Except for Technical Support and for \$250,000 needed for phasing out the TC project, Development Planning Assistance to the Ministry of Plan, all TC funds are proposed for use directly in the two sectors discussed above.

Our proposed program foresees continued support in the agricultural sector of on-going projects in cereals production, range management and support of the Hassan II Agronomic Institute. It is proposed further to extend the on-going project providing development planning assistance to the Ministry of Agriculture. Consistent with guidelines to reduce the overseas profile of U.S. aid efforts, the Agricultural Development Support project will be limited to financing of persons needed to provide overall direction and evaluation of AID-financed agriculture projects and to monitor and evaluate GOM agricultural efforts.

In the unemployment/urban development sector, the basic budget level presumes continued support to present PN activities outside city areas with new undertakings planned in the areas discussed under IV.B.3. above. Under the basic budget level, initial funding is earmarked for a comprehensive self-contained project in Industrial Training and Manpower Development and for initial funding for a contract to provide a four or five-man team with ancillary consulting services by short-term specialists for industrial development planning at the Ministry of Commerce and Industry or BEPI.

The basic budget request for family planning grants contains provisions for the third year of operations of the Population Laboratory and sharply increased programming of commodity support in complement to anticipated acceleration of the GOM family planning effort in the final year of the Five-Year Plan. Further, modest amounts are

programmed for participants in the fields of family planning administration and provincial medical personnel. A new activity proposed for funding is a contract with an American university for providing the nucleus for a Moroccan demographic training institute through provisions of advisory and teaching assistance, Ph.D. training for senior Moroccan staff-to-be, and short to medium term training for middle level staff.

The basic budget request with respect to Development Lending includes a further \$2 million request for construction of grain storage facilities and related equipment, plus an Agricultural Sector Loan for \$8 million.

Under PL 480, USAID is requesting in FY 1972 \$12.6 million in commodities (\$3.9 million of wheat, \$3.0 million of Upland cotton, and \$5.7 million of vegetable oil) for the Title I sales program. USAID is also requesting 174,102 metric tons of PL 480 Title II commodities (wheat, flour, cornmeal, oil, milk, bulgur and rolled oats) valued by the Commodity Credit Corporation at \$15.1 million. For additional details on both of these programs, see Annex II.

B. Supplemental Request

\$800,000 is proposed to supplement the basic TC budget request. \$550,000 of this is for significant expansion of the three following agricultural projects:

- (a) \$200,000 for initial funding of professors, research supervisors, and short-time consultants under expensed assistance to the Hassan II Agronomic Institute in the field of agricultural economics and planning, a key discipline of which qualified practitioners are in particularly short supply in Morocco. This proposed expansion would dovetail neatly with the proposed extension of the Agricultural Planning project under the FY 1972 basic budget request.
- (b) \$200,000 to extend activities under the cereals production project by providing the services of agricultural credit advisors

and intensive training of Moroccan wheat scientists and credit specialists. Additional funding would also permit initiation of activities addressed to increasing yields of barley and corn.

(c) \$150,000 additional for range management provides necessary funding for this project to the originally contemplated area of 350,000 hectares and the extension of this project to other livestock raising areas of Morocco.

Also included in the supplementary request is \$250,000 to permit the initiation of expanded efforts in the field of urban development including Promotion Nationale activities, the Technical Assistance component of a possible low-cost housing program, and Technical Assistance requirements of possible capital project financing of urban utilities.

For Population/Family Planning the amount shown in the supplementary request is a notational item to reflect AID interest in providing funding for the Population Change Survey in case funds allotted to the U.S. Department of Health, Education and Welfare, which has assumed leadership in dealing with the GOM and other donors on this strongly-desired activity, were not to become available.

The supplemental request for Development Loans covers an additional increment for the Agricultural Sector Loan of \$4 million, plus funds for design, engineering and equipment costs for improvement of various urban utilities, e.g. Tangier water supply (\$3 million).

SUMMARY TABLE:
Morocco IC/DC Program, FY 1969 - 72
 (\$000)

PROJECT	1969	1970	1971	Basic Request 1972	Supplemental Request
036 Agricultural Development Support	279*	180*	289*	125*	---
042 Industrial Development Support	30*	90*	140†	---	---
XXX Industrial Training and Manpower Development	---	---	---	150/	---
046 Promotion Nationale	81*	135*	300x	330x	250x
XXX Development Planning to Ministry of Commerce	---	---	---	400/	---
068 Increase in Cereals Production	158*	197*	270*	250*	200x
078 Livestock and Range Management	72*	90*	155*	150*	150x
080 Manpower Planning Assistance	---	1†	---	---	---
083 General Training	188*	136*	160†	---	---
087 Development Planning - Agriculture	187†	140*	300*	300x	---
088 Higher Agriculture Training	---	340/	240*	300x	200x
108 Development Planning - Ministry of Plan	---	400/	400*	250†	---
000 Technical Support	247*	250*	245*	245*	---
SAS	1/	134*	135 ^{2/}	---	---
053 Special SH	22*	5*	---	---	---
027 Livestock Breed Improvement	27†	---	---	---	---
040 Industrial Management & Engineering Training	55†	---	---	---	---
Sub-total	(1,364)	(2,098)	(2,634)	(2,500)	(800)
HEM Population Change Survey	---	---	---	---	500/
089 Census Team	77†	95*	60†	---	---
XXX Demographic Training	---	---	---	200/	---
P/FP Commodity Support	57†	34*	50*	600x	---
Other P/FP activities	---	23†	150*	100*	---
109 Population Laboratory	---	200/2/	190*	200*	---
Supplemental Family	(134)	(352)	(450)	(1,100)	(500)
Grand Total	1,498	2,350	3,084	3,600	1,300

* ongoing
 † new
 ‡ terminating
 x major expansion

1/ Not included in FY 69 program figures
 2/ Funded from TAB allotment in FY 70
 3/ See narrative in Section V "Phase out projects"

VII. Mission Organization

If the range of programs recommended in this Presentation are accepted, we believe it necessary to maintain in Morocco some form of separate but integrated assistance Mission. While we can rely increasingly on the GOM and multilateral agencies to concern themselves with overall development policy, some field staff is needed for planning and coordinating implementation of the projects which the US finances. Although we plan to move increasingly towards fully integrated contractual teams and thus lessen direct US Government intervention in project operations, the range of our activities - while narrower than in the past - is still sufficiently broad to require reasonable coordination and an effort to keep diverse contractual organizations working in a single direction. Each contractor will find it easier and faster to get its work done if it can rely on an existing small aid structure than if all the experiences of contacts, background and understanding of Moroccan structures, institutions and attitudes must be learned anew. There are also important relationships between various forms of assistance which require on-the-spot staff - effective utilization of the ASLs, for example, depends in part on knowledge obtained through our TC projects; any future assistance in urban development must be closely related to our Promotion Nationale activities. An historical pattern of past projects and activities exists to which some administrative talent must be devoted - completion of projects such as the Lower Moulouya; extensive accounting and related responsibilities for past local currency programs; and so forth.

For all these reasons, the continued existence of an aid structure in Morocco is recommended for at least the next few years.

However, the major shift to contracting recommended in this Presentation will permit considerable reduction in direct-hire staff.

The following changes in present mission structure are proposed to take place prior to the end of FY 1972:

- a. Reduction of all direct-hire Agricultural technicians except for the Cereals project advisor, thus leaving a direct-hire staff of F&A Officer, Deputy F&A Officer, Agriculture Program Assistant, Agronomy (Cereals) Advisor and Secretary. (See Agriculture Issues paper)
 - b. Elimination of direct-hire Industry Staff (See Industry Issues paper)
 - c. Elimination of General Engineer position. In order to provide this mission with continued necessary engineering services, we would hope that an engineering position for North Africa would be established in Washington to service Morocco and Tunisia.
 - d. Functioning of all non-agricultural projects to be centered under a new position to be created, similar in concept to Multi-Sector Officers established elsewhere. The present Food for Peace Officer would occupy this new position. This office would operate family planning and demographic work; supervise Promotion Nationale; supervise contractual industry projects; be responsible for new developments in urban improvement; and supervise the local employee training staff.
- Consideration will also be given to the shift of all family planning and demographic activities to a contractual basis.

e. Reductions in American and local staff of the Controller's Office would depend on how far these functions can be automated. We are separately recommending that AID/W investigate a shift at mission level to punch card operations, with accounting records and reports being handled by computer in Paris or Washington. We recommend these studies be pursued immediately to determine what American and local staff reductions might be achieved.

It is our estimate that the above changes in structure will permit a considerable reduction from the present direct-hire staff of 35 authorized positions. While the total size of the direct-hire staff to be recommended will depend on action taken on the remainder of the proposals in this Presentation, it is estimated this staff would be about 20-25 persons.

[REDACTED]

[REDACTED]

MOROCCO

Budget Summary
(Obligations in \$ thousands)

Funding Category	FY 1969 Actual	FY 1970 OYB	FY 1971 Estimate	FY 1972	
				Basic Budget Request	Additional Increment
I. AID Appropriations					
Development Loans	8,000	8,800 ^{1/}	11,000	10,000	7,000
Program Loans	(-)	(-)	(-)	(-)	(-)
Sector Loans	(5,000)	(8,000)	(8,000)	(8,000)	(4,000)
Project Loans	(3,000)	(800)	(3,000)	(2,000)	(3,000)
Technical Assistance Grante	1,364	2,098	2,634	2,500	800
Ongoing	(1,095)	(1,352)	(1,724)	(800)	
Terminating	(82)	(6)	(910)	(-)	
Major Expansions	(-)	(-)	(-)	(1,150)	
New	(187)	(740)	(-)	(550)	
Supporting Assistance	-	-	-	-	-
Population	134	352 ^{2/}	450	1,100	500
Development Loans	(-)	(-)	(-)	(-)	(-)
Technical Assistance Grante	(-)	(352) ^{2/}	(450)	(1,100)	(500)
Supporting Assistance	(134)	(-)	(-)	(-)	(-)
Total A.I.D.	9,498	11,250	14,084	13,600	8,300
II. Other U.S. Official Aid					
PL 480 - Title I	1,800	2,056	18,900	12,652	xxx
(of which country uses)	(100%)	(100%)	(100%)	(100%)	xxx
PL 480 - Title II	16,360	15,248	15,116	15,116	xxx
MAP - Sales	9,500	10,000	10,000	10,000	xxx
MAP - Grante	1,700	800	800	800	xxx
Ex-Im	7,300 ^{3/}	-	8,000	10,000 ^{3/}	xxx
Total Other U.S. Official Aid	36,660	28,104	52,816	48,568	

^{1/} Anticipated AID/W loan authorizations includes \$3 million Agricultural Sector Loan increase in late FY 70

^{2/} Includes \$200,000 for Pop Lab funded in FY 70 from TAB allotment; AFR allotment to be used in subsequent years.

^{3/} The Nador Steel complex may require Ex-Im financing of up to \$20 million and if this proves to be the case, this figure may require substantial upward revision.

FY 1972 Country Field Submission

ANNEX I

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~~More...~~

A.I.D. Dollar Assistance by Sector
(Obligations in \$ thousands)

Funding Category	FY 1972				FY 1971 Estimate	Additional Increment
	FY 1969 Actual	FY 1970 OYB	Basic Budget Request	FY 1972		
<u>Development Loans</u>	8,000	8,800	10,000	14,000	7,000	
Agriculture	(5,000)	(8,000)	(10,000)	(10,000)	(4,000)	
Industry	(3,000)	(-)	(-)	(-)	(-)	
Community & Urban Development	(-)	(800)	(-)	(1,000)	(3,000)	
<u>Technical Assistance Grants</u>	1,364	2,098	2,500	2,634	800	
Agriculture	(822)	(1,082)	(1,310)	(1,439)	(550)	
Industry (&Pvt.Enterprise)	(85)	(90)	(550)	(140)	(-)	
Labor	(-)	(1)	(-)	(-)	(-)	
Public Administration	(-)	(400)	(250)	(400)	(-)	
Community & Urban Dev.	(9)	(4)	(145)	(115)	(250)	
Technical Support & Misc.	(457)	(525)	(245)	(540)	(-)	
<u>Supporting Assistance</u>	-	-	-	-	-	
<u>Population</u>	134	352	1,100	450	500	
Total A.I.D.	9,498	11,250	13,600	14,084	8,300	

1)

M.O. 1095.2 places the Rabat/Kenitra/Casablanca Water Supply Loan under Health, but USAID prefers to place this loan under the Community and Urban Development sector in order to coincide with the CFS strategy.

MoroccoTotal Loan Commitments and Disbursements

<u>Commitments</u> (Authorizations)	<u>FY 1969</u> <u>Actual</u>	(\$ millions)			<u>FY 1972</u> <u>Basic Budget</u> <u>Request</u>	<u>FY 1973</u> <u>Estimate</u>
		<u>FY 1970</u> <u>Estimate</u>	<u>FY 1971</u> <u>Estimate</u>	<u>FY 1972</u> <u>Estimate</u>		
A.I.D. Loans - Total	8.0	8.8	11.0	10.0		
Program						
Sector	(5.0)	(8.0)	(8.0)	(8.0)		
Project	(3.0)	(.8)	(3.0)	(2.0)		
<u>Eximbank</u>	7.3	-	8.0	10.0		
<u>International Lending Agencies</u>	15.0	78.4	30.0	63.0		
IBRD/IDA	(15.0)	(75.6)	(30.0)	(60.0)		
African Development Bank	(-)	(2.8)	(-)	(3.0)		
<u>Other Bilateral</u>	79.6	69.8	65.5	85.5		
France	(63.8)	(53.0)	(50.0)	(60.0)		
West Germany	(12.5)	(12.5)	(12.5)	(12.5)		
Iran	(-)	(-)	(-)	(10.0)		
Kuwait	(-)	(-)	(-)	(-)		
Other	(3.3)	(4.3)	(3.0)	(3.0)		
TOTAL COMMITMENTS	109.9	157.0	114.5	168.5		

	FY 1969 Actual	FY 1970 Estimate	FY 1971 Estimate	FY 1972 Basic Budget Request	FY 1973 Estimate
DISBURSEMENTS					
A.I.D. Loans - Total	6.1	7.7	10.8*	11.4	11.5
Programs					
Sector	(1.6)	(4.9)	(7.5)	(8.5)	(8.5)
Project	(4.5)	(2.8)	(3.3)	(2.9)	(3.0)
<u>Eximbank</u>	4.9	8.5	4.0	6.0	7.0
<u>International Lending Agencies</u>	4.0	10.0	31.0	41.8	41.0
IBRD/IDA	(4.0)	(10.0)	(30.0)	(40.0)	(40.0)
African Development Bank	(-)	(-)	(1.0)	(1.8)	(1.0)
<u>Other Bilateral</u>	38.0	69.5	72.1	68.0	69.0
France	(10.0)	(40.0)	(50.0)	(50.0)	(50.0)
West Germany	(15.0)	(15.0)	(12.0)	(13.0)	(13.0)
Iran	(4.0)	(4.0)	(1.0)	(-)	(2.0)
Kuwait	(7.0)	(7.0)	(2.0)	(-)	(-)
Other	(2.0)	(3.5)	(7.1)	(5.0)	(4.0)
TOTAL DISBURSEMENTS	53.0	95.7	117.9*	127.2	128.5

* Plus estimated \$3 million derived from late FY 70 Agricultural Sector Loan increase.

TABLE IV
FY 1972 Country Field Submission - MOROCCO
Loans Proposed for Serious Consideration in FY 1972
(Authorizations in \$ thousands)

Activity (1)	Loan Title (2)	Anticipated FY Quarter Loan Paper Available in AID/W (3)	Amount of Loan			Amount to Finance Local Costs (4c)
			Total (4) (a+b+c)	Foreign Exchange Costs Commodities, Equipment, Capital Project Services, etc. (4a)	Technical Assistance (4b)	
Agriculture	Agricultural Sector Loan	Second	\$ 8,000	\$ 8,000	-	-
Agriculture	Grain Storage Facilities and Equipment	Third	2,000	2,000	-	-
TOTAL BASIC BUDGET REQUEST			\$10,000	\$10,000		
Agriculture	Agricultural Sector Loan	Second	4,000	4,000		
Urban and Community Development	Municipal Utilities	Third	3,000	3,000		
TOTAL BASIC BUDGET REQUEST PLUS ADDITIONAL INCREMENT			\$17,000	\$17,000		

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ANNEX I

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Proposed Project Loan - Morocco - FY 72

1. Title: Grain Storage
2. Amount: \$2,000,000
3. Purpose:

This loan along with a similar loan in FY 1971 will finance the foreign exchange costs of a large-scale construction program of grain storage facilities. As a result of the improvement in cereals production, there is already a shortage of storage facilities in good crop years, such as 1967-1968. Since USAID has been integrally involved in this field through the Cereals Improvement project, there is a strong rationale for AID to assist Morocco in building the increased storage capacity required. This loan will provide financing for the importation of necessary building materials and equipment.

4. Project Cost:

This AID loan, in addition to the proposed FY 1971 loan, should cover the majority of the foreign exchange costs of the commodities and equipment required for construction. The local costs of this project are not known at the present time, but it is expected that these costs will be met by budgeted GOM funds and by counterpart funds generated from the Agricultural Sector Loans.

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TABLE V - a

ANNEX I

FY 1972 COUNTRY FIELD SUBMISSION

MOROCCO

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Estimate of Local Currency Generations 1/
(in thousands of dollar equivalents) 2/

Source of Generations	Carryover Balance from Prior Years	1969 Actual	1970		1971		1972	
			Estimate	Estimate	Estimate	Estimate		
I. Country-Owned LC								
ASL	-	968	5,032	7,600 ^{4/}	8,600			
PL 480 Title I & Sales	6,437	5,269	3,569	8,000	16,000			
PL 480 Title II	-	-	-	500 ^{2/}	500 ^{2/}			
PL 480 Title IV (residual)	808	1,687	-	-	-			
Trust Funds	<u>71</u>	<u>189</u>	<u>345</u>	<u>180</u>	<u>100</u>			
Total Country-Owned LC	7,016	8,110	8,946	16,280	25,200			
II. U.S.-Owned LC								
TC/DG and DL Grants	-	172	138	200	220			
PL 480 Title I Dollar Credit Sales		3,234	-	-	-			
PL 480 Title I. Repayments on Section 104(e) and (f) loans		1,017	1,970	2,624	3,126			
S.A. Dollar Loans where repayments made in LC		6,824	7,037	7,017	7,080			
DLF Dollar Loans where repayments made in LC		1,317	1,351	1,342	1,342			
Section 403 Dollar Loans where repayment made in LC		985	1,004	1,027	1,048			
Reg. Balance of U.S.-Owned LC								
20FT 680	10,785							
20FT 100	10,120							
20FT 400	2,452							
72FT 740	9,497							
72FT 760	<u>528</u>							
Total U.S.-Owned LC	33,392	13,849	11,500	12,260	12,796			
GRAND TOTAL	40,408	21,659	20,446	28,540	38,086			

1/ Estimated deposits into appropriate accounts plus local currency payments plus local currency chargeable to appropriated Dollars.

2/ Possible generations from sales of Title II commodities if 204 Grants are not available.

3/ Exchange rate: \$1.00s DE 5.06.

4/ Additional \$3 million in local currency anticipated from loan increase late in FY 70.

FY 1972 COUNTRY FIELD SUBMISSION - MOROCCO

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ESTIMATE OF LOCAL CURRENCY USES^{3/}
(in thousands of dollar equivalent)

	<u>FY 1969</u> (Actual)	<u>FY 1970</u> (Estimate)	<u>FY 1971</u> (Estimate)	<u>FY 1972</u> (Estimate)
I. <u>Country Use - LC</u> ^{1/}				
A. <u>Country-Owned</u> ^{1/}				
Agriculture	1,886	2,988	16,000	22,500
Education	1,976	--	--	--
Urban and Community Development	7,312	--	1,000	4,500
Family Planning	--	--	500	2,000
Sub-Total	<u>11,174</u>	<u>2,988</u>	<u>17,500</u>	<u>29,000</u>
B. <u>U.S. -Owned (104(e) and (f))</u> ^{2/}				
Agriculture	10,471	4,026	1,700 ^{4/}	2,300 ^{4/}
Industry	3,443	--	--	--
Urban and Comm. Development	--	--	500	500
Communications	--	689	113	--
Sub-Total	<u>13,914</u>	<u>4,715</u>	<u>2,313</u>	<u>2,800</u>
TOTAL COUNTRY USE - LC	<u>\$ 25,088</u>	<u>\$ 7,703</u>	<u>\$ 19,813</u>	<u>\$ 31,800</u>
II. <u>U.S. Use - LC</u> ^{6/ 2/}				
A. Administration (AID)	\$ 73	\$ 93	\$ 95	\$ 95
B. Trust Funds	203	294	270	175
C. Special Programs of Government Agencies	-	-	-	-
D. Other: Schools Abroad ^{5/}	-	14	4,500	5,486
Population/Family Planning	-	-	300	-
TC/DG & DL Grant Conversion -LC	172	138	250	220
TOTAL U.S. USE - LC	<u>\$ 448</u>	<u>\$ 539</u>	<u>\$ 5,415</u>	<u>\$ 5,976</u>
GRAND TOTALS:	<u>\$ 25,536</u>	<u>\$ 8,242</u>	<u>\$ 25,228</u>	<u>\$ 37,776</u>

^{1/} Utilization is by year of Mission Approval for release rather than date of transfer of funds by the bank to user. ^{2/} Date of disbursement by the USDO. ^{3/} Exchange rate: \$1.00 = Dh 5.06

^{4/} Assumes availability of Cooley-type funds. ^{5/} UNAA. ^{6/} Figures do not reflect movements of U.S. -owned local currency not allotted to AID or purchased by AID (e.g., FSA and DOD).

[REDACTED]

ANNEX II

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I. PL 480 TITLE I PROGRAM

A. COMMODITY REQUIREMENTS

Title I sales are an important element in U.S. resources transfer to Morocco and constitute a valuable supplement to AID sector loans in providing Morocco with foreign exchange resources for the acquisition of urgently needed food commodities. When compared to levels during the drought years of FY 1966 and FY 1967, the proposed programs appear relatively modest. Notwithstanding increased domestic production, commercial imports of PL 480 commodities, particularly wheat and vegetable oil, will continue to be required for fiscal years 1971 and 1972. In addition, there continues to be a steady demand for raw cotton, but as discussed below there are factors which make continued import of this commodity under PL 480 Title I problematical.

The following table shows estimated shipments of PL 480 Title I commodities for the period FY 1970-1972 consonant with the Mission's request as reflected in the CFS and Table I thereto:

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COMMODITY	(\$ in MILLIONS)		
	QUANTITY AND DOLLAR VALUE		
	1970	---1971	1972
Wheat		90,000 mt \$5.8	60,000 mt \$3.9
Cotton (Upland)	14,250 bales \$2.1	24,000 bales \$3.5	21,000 bales \$3.0
Vegetable Oil		30,000 mt \$9.6	20,000 mt \$5.7
	\$2.1	\$18.9	\$12.6

The above quantities are considered to be necessary to maintain an adequate supply of consumption commodities available for domestic needs and, in the case of oil and wheat, to make modest upward adjustments of carryover and stabilization stocks. Tables Ia through Ic of this Annex provide supply and distribution data and Table II provides obligations and shipment data concerning the commodities proposed for inclusion in Morocco PL 480 Title I programs.

1. Wheat

Despite upward trends of wheat production and prospects for further increased production as benefits are obtained from U.S. technical assistance efforts to introduce higher yielding Mexican varieties, Morocco is expected to continue to require imports of wheat to offset an expected continued deficit and to guard against crop failures (98% of Moroccan wheat is grown under dry-land farming methods and only 2% on

████████████████████

[REDACTED]

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irrigated land). The GOM policy is to strive for a relatively substantial buffer-stock level to assure adequate supplies for all areas of the country throughout the year. In recognition of this policy, this Mission has recently forwarded for Washington consideration a GOM request for a program for 90,000 metric tons of wheat for shipment in the first two months of FY 1971, which will permit the GOM to increase its carryover by the end of FY 1971 from 109,000 tons to 174,000 tons (approximately four months' supply at current consumption rates). With a further input of 60,000 mt in the early months of FY 1972, the GOM will be able to reach its stated objective of a buffer stock level of 250,000 tons based on projected production of 350,000 metric tons in FY 1971 and 375,000 metric tons in FY 1972 wheat year. Wheat imports have not affected prices paid to domestic consumers for wheat sold through the Agricultural Marketing Cooperatives (SCAM) at prices fixed by the National Cereals Office (OCIC) which have been at relatively favorable levels.

The projected levels of PL 480 imports are based on expectations of relatively good crop years, although not up to the 1968 bumper crop.

2. Vegetable Oil

Local consumption of vegetable oil, other than olive oil, has been constant at an annual rate of from 65,000 - 70,000 mt. Production of non-olive seed oils continues to be insignificant in terms of over-all

[REDACTED]

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consumption requirements, and while efforts have been made recently to increase production of oil seeds, meaningful increases are not expected, and Morocco will continue to need imports of vegetable oil for some time. Vegetable oil consumption in the future will continue to be reduced to some extent by the availability of cheap butter which has been dumped on the Moroccan market from EEC countries.

There have been no support prices for domestic produced seed oils in the past; however, there are some indications that the Government will provide price support in the future for the production of sunflower and safflower seeds. It is not likely, however, that future Title I shipments of vegetable oil will have any significant effect on such price support programs.

3. Cotton

Raw cotton requirements of the Moroccan textile industries are limited largely to short and medium staples. The rate of consumption has held steadily in recent years between 8,000 and 8,500 metric tons and intense price competition by artificial fibers has inhibited cotton consumption to some extent. Domestic production of cotton is limited to extra long staple, and PL 480 imports of U.S. upland cotton has not affected the price supports provided by the GOM for domestic production.

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The Moroccan textile industry is considered to be relatively efficient in comparison with textile industries in other developing countries and textiles are considered to be one of the more likely items for successful Moroccan export to the EEC countries.

In this situation, Morocco would suffer from application of strict export quotas under PL 480 Title I sales agreements (the FY 1969-1970 program established a permissible export level of only 278 tons of finished textile materials). It is possible, therefore, that if Morocco were indeed successful in attracting foreign investment (presumably European) in its cotton textile industry, it may not wish to be hobbled by the severe export restrictions imposed upon it by PL 480 agreements.

The Mission is reporting separately by airgram on Self-Help Activities undertaken by the GOM pursuant to existing PL 480 sales agreements.

B. PL 480 SALES AS A DEVELOPMENT RESOURCE

The agricultural commodities provided under PL 480 Title I sales agreements represent a very substantial amelioration of Moroccan foreign exchange resources, particularly in years of poor cereals harvests. Together with the agricultural sector loans, these commodity imports account for, roughly, 4%-5% of total Moroccan imports estimated during fiscal years 1971 and 1972 and "liberate" an equivalent amount of GOM foreign exchange for financing of development activities. The provision

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of substantial amounts of wheat, oil and cotton, makes a very significant impact upon the GOM by demonstrating that the U.S. is able to provide assistance to Morocco that is not obtainable on as favorable terms--either financially or politically--as elsewhere. As AID appropriations decline, the continued availability of PL 480 commodities represents an important counterweight and reassurance to the GOM of the U.S. determination and ability to continue to provide major assistance to Morocco. Projected assistance levels for AID and PL 480 sales programs combined in this submission continue at significant levels: \$33 million in FY 1971 and \$26 million under the FY 1971 budget request. Although this is sharply lower than the "concentration" years of fiscal year 1967 and fiscal year 1968, largely because of the need to overcome severe drought effects at that time, it is still substantially above AID levels in the middle 60s and provides a significant psychological boost to the GOM and to our relations with it.

The local currency provided from PL 480 programs will continue to play an important role in the charting of Morocco's development efforts, both in the agricultural sector and other priority areas. While the proceeds from the agricultural sector loan will provide the greater proportion of U.S. support to local currency programs, PL 480 sales proceeds will assist in financing priority development activities such

[REDACTED]

[REDACTED]

[REDACTED]

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as reforestation and soil erosion activities in both fiscal years, will provide budget support for the Promotion Nationale and will also finance the local costs connected with the DL-financed engineering and supervisory design work for the Kenitra-Rabat-Casablanca water supply loan. In FY 1972, PL 480 sales-generated currencies will continue to support these activities, but in addition will be used to complement AID technical assistance activities in industrial training and manpower development and the foreseen extension of Promotion Nationale activities into the area of urban development. Further, these currencies will support anticipated increases in GOM family planning activities, and in support of the possibly AID-financed project for resettlement of the "recuperated" lands, for construction costs of grain storage facilities (complementing the FY 1971 and FY 1972 PL-480-financed activities) and for improvement of higher agricultural education facilities at the Meknes School and the Hassan II Institute.

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C. TERMS OF PL 480 SALES

Section III of this submission makes reference to earlier analysis of Morocco's continued need for foreign exchange resources and stresses that undue pressures on Morocco's debt servicing capabilities may be relieved through accelerated development. In that situation, this Mission believes that it is inappropriate in either fiscal years 1971 or 1972 to harden the payments terms under which PL 480 sales are made available. Both the FY 1971 and FY 1972 programs will be executed and implemented during the life of the current PL 480 legislation; i.e., before December 31, 1971; hence, the Mission believes that the present mix of 50% convertible currency sales (at 40 years) and 50% dollar sales (at 20 years' terms) should be maintained. Similarly, the adoption of a 6-1/2% rate of down-payment should be maintained with the understanding that this hardening of terms from the previous 5% will eliminate pressure for expanded tourist conversion provisions. As long as the U.S. continues to provide balance of payments assistance to Morocco, it seems unwise to compromise the effectiveness of this assistance (and indeed to increase the need for it) by imposing more onerous terms on Morocco that would require the use of its scarce foreign exchange resources when such resources are critically need for financing further development which, in turn, is absolutely necessary to assure Morocco's future ability to pay for the cost of past and current development efforts.

[REDACTED]

ANNEX II

Table Ia

MOROCCO

Country

Supply and Distribution
of Soft Wheat (Controlled Market)
(metric tons)

	U.S. Fiscal Year			
	1969 (Actual)	1970 (Estimated)	1971 (Projected)	1972 (Projected)
Supply				
A. Beginning stocks	315,000	340,000	109,000	174,000
B. Production	407,000	192,000	350,000	375,000
C. Imports	-	(100,000)	(175,000)	(200,000)
1. Commercial	-	100,000	175,000	200,000
2. PL 480				
a. sales	-	-	90,000	60,000
b. donations	(78,000)	(75,000)	(56,000)	(100,000) 1/
3. Other concessional	-	27,000 2/	-	-
D. Total supply	722,000	659,000	724,000	809,000
Distribution				
A. Consumption	360,000	510,000	510,000	530,000
B. Feed/seed/waste PN Set Aside	22,000	40,000	40,000	40,000
C. Exports	-	-	-	-
D. Ending stocks	340,000	109,000	174,000	249,000
E. Total distribution	722,000	659,000	724,000	809,000

1/ Wheat contributed for Promotion Nationale Work Programs. Not reflected in S&D calculations.

2/ Canadian Aid.

ANNEX II

Table Ib

MOROCCO

Country

Supply and Distribution
of Edible Vegetable Oils (excluding olive)
(metric tons)

	U.S. Fiscal Year			
	1969 (Actual)	1970 (Estimated)	1971 (Projected)	1972 (Projected)
<u>Supply</u>				
A. Beginning stocks	14,000	10,400	4,900	14,400
B. Production	4,000	6,000	6,000	7,000
C. Imports	62,400	58,500	75,000	65,000
1. Commercial	(40,000)	(55,000)	(40,000)	(40,000)
2. PL 480				
a. sales	(20,000)	-	(30,000)	(20,000)
b. donations	(2,400)	(3,500)	(5,000)	(5,000)
3. Other concessional	-	-	-	-
D. Total supply	80,400	74,900	85,900	86,400
<u>Distribution</u>				
A. Consumption	66,000	67,500	69,000	69,000
B. Feed/seed/waste	4,000	2,500	2,500	2,500
C. Exports	-	-	-	-
D. Ending stocks	10,400	4,900	14,400	14,900
E. Total distribution	80,400	74,900	85,900	86,400

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Table Ic

MOROCCO

Country

Supply and Distribution
of Cotton (Upland Type)
(metric tons)

	U.S. Fiscal Year			
	1969 (Actual)	1970 (Estimated)	1971 (Projected)	1972 (Projected)
<u>Supply</u>				
A. Beginning stocks	1,000	1,133	633	533
B. Production	-	-	-	-
C. Imports	8,633	7,500	8,500	8,500
1. Commercial	(6,333)	(4,500)	(3,500)	(4,000)
2. PL 480				
a. sales	(2,300)	(3,000)	(5,000)	(4,500)
b. donations	-	-	-	-
3. Other concessional	-	-	-	-
D. Total supply	9,633	8,633	9,133	9,033
<u>Distribution</u>				
A. Consumption	8,500	8,000	8,600	8,750
B. Feed/seed/waste	-	-	-	-
C. Exports	-	-	-	-
D. Ending stocks	1,133	633	533	283
E. Total distribution	9,633	8,633	9,133	9,033

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Table II

MOROCCO

PL 480 - Title I - Obligations and Shipments
(metric tons)

Title and Commodity	Undelivered end of FY 1969	FY 1970		FY 1971		FY 1972	
		Obliga- tions	Ship- ments	Obliga- tions	Ship- ments	Obliga- tions	Ship- ments
			Carry- over		Carry- over		Carry- over
Cotton (bales)	28,500	28,500	14,250 1/	24,000	24,000	21,000	21,000
Wheat	0	0	0	90,000	90,000	60,000	60,000
Vegetable Oil	40,000 2/	0	0	30,000	30,000	20,000	20,000

Title I:
(Commodity
breakdown)

1/ Program expires June 30, 1970.

2/ Program expired June 30, 1969.

[REDACTED]

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II. PL 480 Title II Submission - FY 1972

A. Table of the CCC value commodities by category and numbers of recipients in each approved program.

	<u>FY 1969</u>	<u>FY 1970</u>	<u>FY 1971</u> <u>(est.)</u>	<u>FY 1972</u> <u>(est.)</u>
<u>CATEGORY I</u>				
Mother and child feeding, school feeding	\$ 2,493,594	\$ 2,568,632	\$ 2,200,732	\$ 2,200,732
No. of Recipients	(283,900)	(269,700)	(297,200)	(297,200)
<u>CATEGORY II</u>				
Self-Help - Econ and Community Development, Health Development	\$11,746,487 ^{1/}	\$10,814,628 ^{1/}	\$11,637,323 ^{1/}	\$11,637,323 ^{1/}
No. of Recipients	(423,602) ^{2/}	(431,200) ^{2/}	(510,000) ^{2/}	(510,000) ^{2/}
<u>CATEGORY III</u>				
Health Cases, Institutions, Relief	\$ 2,120,483	\$ 1,864,954	\$ 1,278,188	\$ 1,278,188
No. of Recipients	(233,900)	(214,400)	(122,600)	(122,600)
Total CCC Costs	<u>\$16,360,564</u>	<u>\$15,248,214</u>	<u>\$15,116,243</u>	<u>\$15,116,243</u>
Total No. of Recipients	941,402	915,300	929,800	929,800

1/ Ocean Freight not included

2/ Includes PW recipients by FY as follows: FY 69: 64,406; FY 70: 70,000; FY 71: 70,000; FY 72: 70,000.

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B. Description of Program

As indicated in the Title II guidelines, no detailed justification of the Title II projects will be included in this submission since the entire donation program is already covered by approved PROPs and PIPs. Assistance levels requested for FY 1972 are the same as those requested in the approved PROPs.

The U.S. supports three Title II donation programs in Morocco. Of highest priority is the large and highly successful government-to-government food-for-work program Promotion Nationale where US food assistance provides a 4 kg per man-day contribution of wheat to the worker's daily wage. Our commitment to the PN program is in terms of the GOM's 5-year plan targets of an annual 25 million man-day program and over the past two years the US has made an annual contribution of 100,000 MT of wheat. Under Promotion Nationale a vast number of economically important development projects have been completed largely in land clearance, soil conservation, reforestation and water resources development. PN has also constructed low cost housing, schools, community centers and other socially important projects. PN also represents the GOM's largest single program to help stem rural exodus and provide productive work for unemployed and underemployed laborers. The US contribution to PN represents about 30% of the total program costs.

In FY 71 and FY 72 the GOM will be seeking ways to constructively use PN in the urban setting to improve living conditions in the cities and help alleviate the serious problems of urban unemployment. The PN is planning

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to expand their slum clearance and low cost housing programs and also use PN to carry out land clearance and the initial land preparation of new tourist centers. The Mission strongly urges that our food contribution be continued at 100,000 MT annually to support the PN program projected in the GOM's Five Year Plan.

The Catholic Relief Services - Entraide Nationale program reaches about 875,000 recipients and is the GOM's major national social welfare effort. AID strategy for this program is to press as much of the program as possible into higher priority categories while retaining total numbers of recipients at roughly present levels. The family feeding (dole) category will be deleted from the program at the end of FY 1970. Able-bodied recipients from the family feeding category have been shifted to the self-help program where they are participating in an increasingly active and successful food-for-work activity. C.R.S. is working closely with the Ministries of Health and Education with a view toward increasing the size of our programs in the child feeding categories. However, budget constraints within the GOM to cover the non-U.S. donated food costs associated with these programs are limiting the rate of program expansion. Program approvals for C.R.S. - Entraide Nationale in amounts included ⁱⁿ the approved PROPs is requested through FY 1972.

The USC also supports a small food assistance program administered by the American Joint Distribution Committee. This program now reaches 11,800

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[REDACTED]

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recipients, largely from the small and dwindling Jewish minority. These recipients are in two categories - the very young who are reached through the school feeding and MCH and summer camp program and the aged, sick and infirm who are helped through a small family feeding and institutions program. The US food donations to the project represent only a small part of a well organized, well staffed, and well financed comprehensive social welfare effort. Continued US food support to the program is requested at levels indicated in the approved PROPs.

In addition to its bilateral efforts, the US supports four other projects through the World Food Program:

1. WFP PROJECT 365 projects the conversion of 24,000 hectares of grazing land to fruit tree production in the Rif area. US supplied corn is used as an incentive payment to the farmers. The first 750 MT against a 4,000 MT commitment have been delivered and distributed.
 2. WFP PROJECTS 416 and 577 project feeding of about 25,000 secondary and university students over the next five years. Both projects are newly approved and no food deliveries have been made.
 3. WFP PROJECT 316 Rural Housing projects assistance in the construction and renovation of 90,000 houses in the rural areas over a five year period. Incentive food payments are made to the individuals participating in this project. Project implementation is substantially behind schedule. The US has thus far supplied 4,000 MT of flour and 500 MT oil to this project but less than half of this has been distributed.
- [REDACTED]
- [REDACTED]

C. Alternate PL 480 Title II Levels

The present USAID Title II strategy is to support the government-to-government food-for-work program at levels programmed in the GOM's Five Year Plan - a 25 million man-day total program requiring an annual US contribution of 100,000 MT of wheat at present ration levels. We feel this is an optimum level of US support. A reduction in this amount would require the GOM to either cut back the total size of the program or divert resources from elsewhere to finance it. US food assistance to PW supports a high priority ongoing GOM program and helps the GOM to meet a major social and developmental problem in a constructive way. It is extremely unlikely that it would be halted even if US assistance were entirely discontinued.

Title II Volagency strategy is to press for increasing the numbers of recipients in higher priority categories while retaining total numbers at roughly present levels. The GOM makes a substantial contribution to the CRS/Entraide programs. It could do more, but only at the price of diverting resources from developmental activities. USAID would not recommend increasing the total numbers of Title II recipients in Morocco even if more foods were available since this would only add to the social welfare burden the GOM will have to assume when US food assistance is eventually terminated. As in the case of Promotion Nationale, the question is one of budget. GOM social welfare services are probably at the minimum level required in a country at this stage of development. US food

[REDACTED]



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assistance enables the GOM to divert resources which would otherwise be needed for social welfare into developmental activities. Were US assistance substantially reduced, GOM resources would have to be diverted from other areas to meet these demands.



ANNEX II

TABLE I - COMMODITIES REQUIRED FOR THE TITLE II PROGRAM

<u>FY - 1971</u>		
<u>COMMODITY</u>	<u>QUANTITY (M.T.)</u>	<u>CCC COST</u>
WHEAT (P.N.)	100,000	\$ 6,347,000
FLOUR (AJDC - CRS)	40,241	4,116,251
CORNMEAL " "	26,228	2,428,450
OIL " "	5,793	1,671,743
MILK " "	1,806	549,439
BULGUR (AJDC)	25	2,182
ROLLED OATS (AJDC)	9	1,178
	<u>174,102 (M.T.)</u>	<u>\$15,116,243</u>
<u>FY - 1972</u>		
WHEAT (P.N.)	100,000	\$ 6,347,000
FLOUR (AJDC - CRS)	40,241	4,116,251
CORNMEAL " "	26,228	2,428,450
OIL " "	5,793	1,671,743
MILK " "	1,806	549,439
BULGUR (AJDC)	25	2,182
ROLLED OATS (AJDC)	9	1,178
	<u>174,102 (M.T.)</u>	<u>\$15,116,243</u>

TABLE II - PL 480 TITLE II OBLIGATIONS AND SHIPMENTS
(metric tons)

Commodity	FY 70		FY 71		FY 72				
	Undelivered End of FY 1969 (M.T.)	Obligations (M.T.)	Shipments thru 5/3/70 (M.T.)	Carry Over (M.T.)	Obligations (M.T.)	Shipments (M.T.)	Obligations (M.T.)	Shipments (M.T.)	Carry Over (M.T.)
Wheat (P.N.)	30,404	100,000	74,404 ^{1/}	-	100,000 ^{2/}	100,000 ^{2/}	100,000 ^{2/}	100,000 ^{2/}	-
Flour (AJDC-CRS)	12,903	35,866	44,705	-	40,241 ^{3/}	40,241 ^{3/}	40,241 ^{2/}	40,241	-
Commeal "	7,219	24,532	26,491	-	26,228 ^{3/}	26,228 ^{3/}	26,228 ^{2/}	26,228	-
Oats "	1,086	5,167	4,169	-	5,793 ^{3/}	5,793 ^{3/}	5,793 ^{2/}	5,793	-
Maize "	28	1,886	1,890	-	1,806 ^{3/}	1,806 ^{3/}	1,806 ^{2/}	1,806	-
Corn "	52	0	0	-	0	0	0	0	-
Bulgur (AJDC)	39	42	31	-	25 ^{3/}	25 ^{3/}	25 ^{2/}	25	-
Roller Oats (AJDC)	0	9	9	-	9 ^{3/}	9 ^{3/}	9 ^{2/}	9	-

^{1/} 56,000 M.T. of wheat will be delivered in early FY 71. The 100,000 M.T. wheat approved for FY 70 is in support CY 1970 PN program. 100,000 MT requested for FY 71 is in support CY 1971 PN program. No carryover of stocks is planned.

^{2/} Estimated

^{3/} Requested

Intensive Review Request for Development Loan, FY 19711. Title: Agricultural Sector Loan2. Description:Total Cost:Dollar: \$8,000,000Local Currency: NoneProposed Source of Financing: A.I.D.Proposed Source of Procurement: U.S.A.

This loan would finance the dollar costs of Moroccan imports from the United States of commodities and equipment required for Morocco's expanding development program in FYs 1971 and 1972. The local currency generated from the loan will be used in support of GOM development activities in the agriculture sector. For a more detailed description, see Agriculture Sector Loan papers for fiscal years 1968, 1969 and 1970.

3. Justification:

In FY 1971, Morocco continues to need U.S. financial assistance to provide balance of payments support and to help carry out its agricultural development program. Therefore, a DL of \$8 million is requested to finance essential imports as well as to generate dirham counterpart to cover local costs of key agricultural development projects.

4. Political and Social Impact:

The equipment and commodities purchased under this loan will provide some of the raw materials and semi-manufactured goods required for the expansion of Morocco's industrial and agricultural sectors. The expansion of these sectors will provide additional jobs for both the rural and urban

[REDACTED]

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unemployed. The local currency generated from this loan will be used to carry out priority agricultural development projects, such as cereals production, livestock and range management improvement, and irrigation development, that will have an effect on improving the income and living conditions of the rural populace.

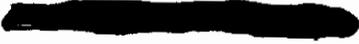
5. Economic, Technical and Financial Feasibility:

The Moroccan balance of payments continues to show modest improvement as a result of increased foreign assistance proceeds, exports and tourism earnings. The outlook over the next few years indicates a gradual further strengthening of the balance of payments. Nevertheless, total foreign assistance requirements will continue to remain high in order to support Morocco's accelerated development. There will also be a greater need for imported commodities and equipment to continue the expansion of its industrial and agricultural sector. The proposed Agricultural Sector Loan is responsive to Morocco's need for balance of payments support. For additional information on Morocco's economic situation, see the narrative of the Country Field Submission and prior year Agricultural Sector Loan Papers.

6. Capacity to Implement:

This loan would be essentially identical to the Agricultural Sector Loans of FYs 1969 and 1970. The GOM, as well as Moroccan importers, has demonstrated its ability to follow AID commodity import program procedures and to implement effectively this type of assistance.

[REDACTED]


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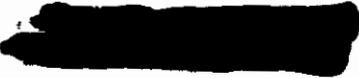
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7. Possible Problems:

No problems are presently anticipated.

8. Staff Requirements for Intensive Review:

Assuming eventual assignment of a Program Economist, USAID has the personnel and skills required to prepare the necessary loan paper, and proposes to submit it to AID/W for review and action by October, 1970.



[REDACTED]

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Intensive Review Request for Development Loan, FY 1971

1. Title: Kenitra, Rabat, Casablanca Water Supply

2. Description:

Total Cost:

Dollar: \$1,000,000

Local Currency: Local currency costs will be covered by the GOM and/or by U.S. controlled local currencies

Proposed Source of Financing: AID for cost of engineering supervision with the actual construction of the dam expected to be financed by the IBRD.

Proposed Source of Procurement: Contract with American engineering firm

This loan would finance a contract with a U.S. engineering firm to conduct the engineering supervision of the construction of a dam on the Bou Regreg River near Rabat to supply water for the coastal cities of Kenitra, Rabat and Casablanca. A FY 1970 Development Loan is presently being negotiated to finance the engineering design for this dam.

3. Justification:

By 1974, there will not be enough water from present sources to meet the daily needs of the cities of Casablanca and Rabat. Given the limited time frame left for the construction of the dam, this loan has been given a high priority by USAID. When the dam is completed, it should take care of the water needs of these cities and the surrounding area until the year 2000.

[REDACTED]

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4. Political and Social Impact:

This dam should have an important political and social impact on the people living in these cities and in the surrounding area. The water provided from the dam will be used by approximately a sixth of Morocco's population, including the cities of Rabat, Kenitra and Casablanca, the latter being the largest city and leading industrial and commercial center of Morocco. This loan is a critically important element in the endeavor to improve city facilities and provide adequate water supplies for human and industrial consumption.

5. Economic, Technical and Financial Feasibility:

The American consulting firm, TAMS, has conducted a preliminary feasibility study, and the W.H.O. has studied water needs of the coastal area between Casablanca and Kenitra. As a result of these studies, this dam has been selected as the best way of meeting the growing water needs of this area.

Regarding other donor prospects, the IBRD is now exploring the possibility of financing the actual construction of the dam.

6. Capacity to Implement:

Morocco has sufficient experience in the construction and maintenance of large dams to carry out this project successfully with U.S. engineering supervisory assistance providing the framework for the major construction project.

[REDACTED]

[REDACTED]

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7. Possible Problems or Issues:

At the present time, the final design contract for the pumping plant, treatment plant, and distribution pipeline has not been awarded. It is expected, however, that these contracts will be awarded in the near future and should have no effect upon the implementation of this proposed loan.

8. Staff Requirements for Intensive Review:

Since this loan will be the second loan for this project and since the information required to carry out an intensive review of the project has already been submitted to AID/W, no additional staff requirements are anticipated. Additional information will be furnished by the USAID engineer as required.

[REDACTED]

Intensive Review Request for Development Loan, FY 1971

1. Title: Grain Storage and Marketing Facilities
2. Description:

Total Cost:

Dollar: \$2,000,000

Local Currency: Local currency costs will be covered by the GOM and/or by USAID-controlled local currencies

Proposed Source of Financing: A.I.D.

Proposed Source of Procurement: U.S.A.

This loan would finance foreign exchange costs of equipment and materials for the construction of added grain storage facilities.

3. Justification:

USAID is supplying extensive assistance under the cereals improvement project to the efforts of the GOM and Moroccan farmers to modernize and increase cereals production. In a good crop year, such as 1967-1968, existing storage capacity is not sufficient. In view of our present involvement in cereals, assistance in solving storage problems would be a natural continuation of our activity in this area. If the GOM decides to embark on a major construction program and requests AID assistance, this loan possibility should be given high priority.

4. Political and Social Impact:

By easing the burden on existing storage capacity and by providing additional facilities to permit stabilization of grain stocks, this loan would have a positive benefit on a broad segment of Morocco's farming population through providing the basis for higher incomes for grain

received, reduction of losses due to improper storage, and would demonstrate our support of Morocco's efforts to meet its basic food needs from domestic resources.

5. Economic, Technical and Financial Feasibility:

The feasibility of a comprehensive survey and the issues to be studied were explored in the Kansas State University study of May 1969. This report gave specific recommendations for a long-range comprehensive study. This study, for which TC/DG financing is being proposed, would determine the feasibility of a large-scale construction program.

6. Capacity to Implement:

The GOM and Moroccan contractors have a great deal of experience in large-scale construction projects and many of the present storage facilities were constructed by local contractors.

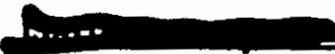
7. Possible Problems:

The feasibility of a TC/DG financed study and a DL financed construction project will depend upon the GOM position regarding the priority for such activity within the time frame for which this CFS submission is relevant. The Moroccan Government is currently studying the problem and considering the Kansas State University recommendations. The desirability of providing a loan would depend upon a positive GOM decision in the near future and upon the findings of the in-depth feasibility study.

8. Staff Requirements for Intensive Review:

Intensive review of this loan possibility would be based to a large extent on the feasibility study planned for DG financing in early FY 71.

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Based on this study, the USAID would probably be able to prepare a loan paper with relatively little outside assistance.

