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**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



MOROCCO

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 83

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Morocco

FY 1983 Country Development Strategy Statement

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1. INTRODUCTION

It sometimes seems as if we were a yo-yo. Part of the reason is the cyclical nature of these exercises; not only that despite all attempts at continuity we look at the CDSS at one particular time in the year, but also because there is a lack of continuity in American staffing of AID missions and each new team tends to try to reinvent the wheel. Moreover, AID skepticism about Morocco and its development policies seems so deeply ingrained that even USAID in Rabat tends to be affected by the encrustation of the past. Morocco, for its part, does not hold still; this discussion of AID strategy takes into account the evolution of Moroccan governmental development thinking affected, more than in the past, by donor influence and outside necessity imposed by economics.

We argued in the CDSS two years ago that Moroccan allocation of resources did not meet equity standards and that we hoped to use our program, albeit cautiously and only in certain sectors, as a wedge to encourage improved resource allocation. One year ago, we were more optimistic but even more cautious. We had succeeded in placing and mounting new projects and we perceived a new mood in Morocco. The rhetoric at least had improved. We felt that it may have been only Morocco's external and internal financial crunch which prevented a different kind of development strategy from being formulated. We saw enough progress, however, in a number of sectors and subsectors to justify project extension by USAID in areas where we could act as a prod on the GOM to do more for its poor. Now, in January 1981, we are less cautious and

a little more optimistic. We are struck by the fact that Morocco, which imports practically all of its oil and which is waging an unpleasant little war, has managed largely to insulate its economy from the effects of these disastrous factors.

To be sure, much is wrong. Exports fall far short of covering imports. The debt service burden is heavy. Foreign exchange and domestic resources are insufficient to finance many of the projects the GOM would like to undertake. Inflation, while less than the world average (and less than in the U.S.), is difficult to contain. The Sahara war drags on and population grows at least as fast as national output and employment. Furthermore, Moroccans continue to be bored with the need to show that they really are attacking fundamental problems. This failure to make a good case has had effects in substance as well as in appearance. We shall say much in this presentation about resource allocation for, given current circumstances, we do not believe Morocco is doing badly now. It has never done as badly as its detractors have claimed. Nonetheless, it continues to be clear that the old habits of building big and grand, of concentrating on the cities, on the modern sector, on the needs of the middle and upper middle classes, to some degree, continue. Even in the vaunted area of education the reforms of which we speak are for the most part still not accepted as policy. But, all in all, as confirmed this year by the International Monetary Fund and the World Bank, Morocco is not doing badly.

For a variety of reasons, Morocco finds it helpful to deal with the United States in the field of development in a number of sectors. Where these coincide with our expertise and when we can demonstrate that Moroccan policies are sound, we advocate continuing and increasing efforts to develop this country. Morocco is a rich country with development potential. In spite of all our frustrations, it is a country with a capacity to implement projects. Yet it is a rich country with poor people. It is nonsense to look exclusively at per capita GNP or at the modern sector and to conclude that help is not needed. Although hunger is not a widespread problem, there is misery here as bad as that which we have seen anywhere. The ultimate defense of our efforts is that here, in a number of sectors and subsectors, this misery can be alleviated. Our actual and proposed program demonstrates how AID can contribute to this end. It is designed to approach certain key Moroccan development problems with an effective strategy for action (see Section 3) fully consistent with AID's mandate.

2. THE MACROECONOMIC PICTURE

a. Overview

Even accounting for historic myopia, 1981 will be a watershed year for the post-independence Moroccan economy. It marks the unlamented end of the three year (1978-80) Transition-Austerity Plan and the commencement of the 1981-85 Five Year Plan period. External influences, principally French, have long been felt in the Moroccan economy, but

1981 marks the first time that the economy is subject to outside policy tutelage. Loans (private, bilateral and multilateral) have previously been confined to specific enterprises, sectors and projects with no more strings attached than the usual requirements of bankability (however defined by the lenders) and the promise to repay. No more. Morocco has sought and received from the MF a major loan of \$1.1 billion over three years from its Extended Fund Facility. This, combined with a proposed World Bank Structural Adjustment Loan, means that Morocco's financial affairs will come increasingly under the scrutiny of outside observers. Morocco's ability to borrow from private capital sources will depend to a considerable extent upon the series of adjustments and reforms which constitutes Morocco's agreement with the MF. Given the traditional restrictive nature of MF programs (as contrasted with the often unrealistically expansive programs of Morocco's planners and project managers), the timing of the MF agreement helps assure that the Five Year Plan and MF programs will not be at cross purposes, that balance of payments and debt service burdens will not choke off the planned economic recovery and that financing will be on tap for an approved (but reduced) list of Five Year Plan programs.

The MF program is directed to the twin goals of domestic consumption constraints and export growth. A rolling defacto devaluation of the dirham will support these twin goals. Other measures will be taken internally to revise tax collection measures and increase tax revenues,

to channel public and private investment into productive activities, especially small scale labor intensive operations. At the same time major government investment will continue in phosphates and other export mining sectors which provide needed foreign exchange. Irrigation perimeters, where work has commenced, will be completed. Since most of the easily irrigated land is now in fact under irrigation, investment is now expected to shift to dryland activities. Consumer subsidies will be gradually and selectively reduced further to relieve budgetary pressures permitting prices to act as allocators.

The MF believes that Morocco's commitment to reduction of social and regional disparities in incomes and services has resulted in over-spending in education, health and social services where growth will have to be curtailed. It recommends that investment patterns shift somewhat away from social overhead capital to more directly productive activities. AID projects, both existing and proposed, were developed before the MF Report was prepared but are in close accordance with the MF program and with the Five Year Plan goals as far as we know them. GOM emphasis on dryland agriculture and vocational education represent policy changes long advocated by AID.

b. The Economic Impact of Demography

Population growth underlies much of the tension in Five Year Plan formulation. According to the Ministry of Plan's forecasts through the year 2000, annual compound growth rates are likely to continue at

slightly over 3 percent with longer life expectancy offsetting gains from fertility reduction. The more widespread practice of contraception could, of course, change this. Morocco's population will pass from 21 million in 1980 to 37 million in 2000, with 52 percent of the population remaining under age 20. The urban population, currently 42 percent, will exceed the rural population before the end of the century. This growth will continue to strain the nation's efforts in education, nutrition-public health and job creation. The ratio of school enrollment to school age population (7-15) which stood at 13 percent in 1971 at the time of last census is currently at 65 percent (excluding considerable Koranic and private school enrollment). Enrollment is expected to reach 80 percent by the end of the Five Year Plan period in 1985 with a goal of 100 percent by the end of the century. It is just this continued commitment to conventional education which the IMF had found unacceptably high (28 percent of total government revenue) given Morocco's financial condition. There is thus considerable scope for AID's diverse and, for Morocco, innovative approaches to non-formal education.

Translated to infrastructure, the increase in school and health center construction, not to mention their staffing and supply, will present severe difficulties during the planning period; e.g., 760 additional dispensaries and 280 health centers by 1985. Allowing for continued entry of women into the labor force, the Ministry of Planning projects the need for 200,000 new jobs per year. Housing needs are also projected to require 200,000 starts per year, four times the present rate.

Broad understanding of the impact of these demographic projects lies behind the urgency in the planning process and the considerable interest the GOM has shown over the last two years in our housing investment guaranty, vocational education, health management and family planning projects.

c. Prices

Inflation is measured by an urban consumer price index based on a 1971 household survey market basket, which probably understates the present true rate because of continued consumer subsidies and changes in the market basket since 1971. The General Index was 11.6 percent higher than a year ago with the food component up 11.9 percent and the housing-utilities component up 13.1 percent. The linear trend lines are rising at less than 10 percent per year due to cyclically lower food and fuel prices in the summer months but increases have been unusually steep for the last three months available (through October 1980). The food index jumped 1.0, 3.9 and 2.3 percent in each of three months and the general index led by food and petroleum products advanced 0.7, 2.4 and 1.7 percent each month, some of the steepest increases ever recorded by the index.

Bread, oil and sugar are large and subsidized elements in the diet of the urban and rural poor ^{1/} and Morocco has relied increasingly on

^{1/} Moroccans are among the world's heaviest consumers of sugar; traditional cooking relies heavily on oil; and bread is eaten in rural as well as urban areas.

imports to meet its needs. The geography of distribution cost and population concentration would argue that the imported commodities would be consumed principally in the large coastal cities but evidence was accumulating that rural interior wheat and oil producers are also consuming the subsidized products with a probable deterrent effect on production. Subsidies are heading toward 5 percent of estimated household total consumption and low prices encourage waste and heavy consumption by the wealthier classes. The subsidies on these consumables have been reduced and further reductions are expected. At the same time a de facto devaluation of the dirham will increase the dirham price of imported commodities. These moves are based on the theory, long favored by the MF, that over the longer run, reduced subsidies, higher domestic prices and stimulative agricultural policies should increase local production of these staples. ^{2/}

The deteriorating balance of payments situation and the conditions for MF financing compelled the reduction in subsidies which was carried out without great furor. At the same time, in a basic human needs area with fewer foreign exchange ramifications, the GOM announced and effectively carried out a reduction by one third in rent for those earning under 1,500 dirhams a month.

^{2/} With a favorable price structure for local producers, consumption of dairy products and meat is already increasing. Some small grains formerly destined for human consumption are being diverted to chicken and cattle feed to support local production of meat, eggs and dairy products. At the same time this trend leads to higher grain imports.

d. Exchange Rate

In the days of the fixed exchange rate, the dirham was valued at 5.06 to the dollar and at slightly less than one dirham per French franc. Most financial analysts considered the dirham overvalued. The government imposed largely unenforceable exchange controls, passed cumbersome import licensing and advance deposit schemes, placed high taxes on imported luxury goods and attempted periodic clamp downs on resultant smuggling. A devaluation of about 10 percent was rumored to be part of the MF package and criticized in the opposition press on largely emotional grounds. Devaluation, ^{3/} on balance, is necessary and desirable to make exports cheaper and imports dearer. The MF report skirts the issue of devaluation and never uses the word; however, the report's projected revaluations of foreign assets and the SDR-dirham exchange rate reveal a 10 percent devaluation. A de facto devaluation based on changing the mix and weight of the basket of foreign currencies in which Morocco trades and against which the dirham is valued resulted in a sliding devaluation against the dollar of 12 percent between mid-July and mid-December although part of this decline is due to world wide strengthening of the dollar. The exchange rate with the French franc has varied within a much smaller range but declined 1.5 percent to a recent low in the same period. ^{4/}

^{3/} Since the dirham is overvalued, "actualization" is the whispered term.

^{4/} Banque de Maroc. Daily buying rates for 15th of each month.

The GOM has successfully acquired scarce foreign exchange by channeling remittances of Moroccan workers abroad through the Moroccan banking system by means of a favorable exchange rate. ^{5/} The Moroccan delegation is known to have argued hard for its retention, but owing to the MF dislike of multiple exchange rates, the remittance premium will presumably be dropped. ^{6/}

e. Agricultural Pricing Policy

The dilemma facing Morocco's policy makers is nowhere better illustrated than in the case of food and agricultural pricing policy. USAID analysis indicates that the existing support prices for wheat are approximately twice the world market level. They were raised in 1979 and 1980 to reflect increased factor costs and to attempt to stimulate domestic production. The GOM seemingly cannot be faulted for depressing farm prices. The policy is aimed at the dryland farmers who are among AID's target group. However, it may be argued that this desirable policy intervention may be promoting a misallocation of agricultural resources in that the better watered areas and even some parts of the irrigated perimeters, whose comparative advantage lies in specialized fruit and vegetable crops for export and domestic consumption are now being diverted to small grain production. The costs and benefits of such a

^{5/} The franc was exchanged at par with the dirham rather than the typical buying rate of .92 dirhams/franc.

^{6/} An alternative which could retain desirable foreign exchange and savings mobilization features would be to drop the preferential exchange rate but provide correspondingly higher interest rates on time deposits of remittances.

switch in land use need to be considered. As a further stimulus for production of cereals and other crops, the government subsidizes the price of fertilizer and improved seed. The increased use of improved seed and fertilizer is inhibited less by policy constraints than by supply and distribution constraints.

f. The Planning Process

GOM planners, comparing the overheated economy of 1974-77 to the 1978-80 period, could, with some justification, claim reduced Treasury and balance of payments deficits and lowered inflationary pressure from what the situation would have been without the Three-Year Austerity Transition Plan. They could also claim some concrete social measures favoring less advantaged classes and regions. This could be seen primarily in the sustained 8 percent per year expansion of school enrollments but also in the construction of health infrastructure, the launching of regional and communal level development projects in support of the decentralization scheme, higher minimum wage rates and agricultural prices, and substantial consumer food subsidies.

But, by common consent, growth in real national output was stagnant at about 3 percent, only matching population growth. Heavy wheat imports continued and the price of imported oil soared. Investment declined and exports did not grow at rates projected in the transition austerity plan (although 1980 was better than 1979). A more growth oriented approach was clearly needed. This set the stage for the more expansive 1981-85 Five Year Plan.

Much speculation and interest has focused on the new Five Year Plan. The document itself does not exist, although perspectives on the Plan have seen limited circulation and general statements have been published in the press. The Plan as a document is of less concern than the ongoing planning and replanning process of which the document is an almost incidental and always outdated by-product.

The GOM has attempted to accommodate three sometimes divergent perspectives in the planning process: sectoral, regional and macro-economic. Preliminary work involved national level projections, modeling of scenarios (4.5 and 6.5 percent per year of real growth), and the preparation of broad overviews of Plan objectives. These were submitted to sectoral commissions for preparation of sectoral and subsectoral provisional plans, e.g., grains, phosphates, sugar, health, education, potable water.

Three major goals have been set for the 1981-85 Plan period: Territorial Integrity, Economic Growth and Reduction of Regional and Social Disparities. The territorial integrity goal reflects official GOM determination to keep control of the former Spanish (Western) Sahara by whatever military, political and economic means are necessary and to continue diplomatic efforts to the same ends in world fora. Marginal costs of equipment and deployment for the war in the south are supported partly by friendly Arab states. We have argued previously that an important cost of this war is managerial -- it diverts top level attention away from other important problems. The Polisario continues

to receive weapons and mount attacks from outside the territory while the GOM controls the principal settlements and contests the unsettled and inhospitable hinterland. The heavy new investment in social and economic infrastructure in the Sahara, whose native population is at the most 1 percent of Morocco's total, is highly disproportionate on a per capita basis.

As we pointed out in last year's CDSS, resource shifts in support of BHN objectives are easier in an atmosphere of economic growth, and growth in Morocco's national output has recently been largely stagnant, barely keeping up with population. The emphasis on growth in the new Plan involves several sectors. A sector goal recognized as not being wholly achievable in the Plan period is food self-sufficiency, if not in each individual crop, at least to the point where revenue from food exports pays for food imports. Morocco has termed the present situation where agricultural imports exceed exports as "inconceivable" for an agriculturally based country. In support of agricultural growth, irrigation projects already commenced will be finished and some new ones started, but more investment will be placed on dryland agriculture (See Section 4). Another subsector, Moroccan offshore fishing, is dominated by highly capitalized Russian, Korean, Japanese and Spanish fleets. The situation is especially irksome to the GOM in its export drive and its attempts to raise the protein content of national diets. Diplomatic and economic efforts to assert Moroccan sovereignty and

rights of exportation are underway and more can be expected, including the recent extension of the 200-mile economic zone.

The twin goals of economic growth and the reduction of social and regional disparities are, for the first time in official thinking, closely linked. Several treatises, including a book published privately by the Secretary General of Plan, stress social goals in education, health and employment as legitimate concerns of the Plan alongside agricultural and industrial output. The increased dryland farming effort (research, extension, mechanization, credit) will touch more dispersed and impoverished segments of the rural population than previous efforts in irrigated perimeters producing sugar, citrus and vegetables.

Other than capital intensive phosphoric acid plants, needed to generate foreign exchange to pay for oil imports, plans for the industrial sector reflect the goals of economic growth and disparity reduction. Small and medium scale industries (roughly those employing fewer than 100 people) will be encouraged, especially those drawing upon local materials and/or geared to exports. Employment creation will be a fundamental criterion in selecting among new projects to be executed. Incentives exist to establish regional growth poles beyond the Casablanca-Mohammedia-Rabat-Sale-Kenitra coastal axis.

Although not without operational problems, other policy changes support the goal of reducing regional and social disparities. Industrial and agricultural minimum wages and dryland producer prices were raised in 1977, last year and again in 1980. The recent extension of education

and health infrastructure into rural areas has been pronounced. Increased revenue sharing for rural communes (townships) and tentative devolution of some responsibilities to elected commune councils are steps in the same direction. The GOM support for AID projects in range management, dryland agriculture research, vocational training and low cost housing, as well as proposed projects in forestry, potable water and agro-mechanical skills, are symptomatic of increased concern with improving access to services and economic opportunities for the country's marginal economic groups.

As the provisional sectoral documents for the new Plan were reviewed, and as the meetings of synthesis progressed, it became clear that even the more modest scenario (4.5 percent real growth per year) could not be achieved under the present macroeconomic and financial circumstances, thus setting the stage for the Finance Minister's extraordinary request of August 27, 1980 to the MF.

g. The Annual Budget

Between the heady policy debates of Five Year Plan objectives and the Three Year MF Restructuring Program sits the more prosaic Annual Budget. It is not possible to chart the flow of funds through the government and parastatal enterprises by means of the budget. This complex operation is among the tasks of the Prime Minister's working group (one of the nine horizontal Plan commissions) on state enterprise reform^{7/}, and a similar study group on industrial taxation and incentives in the

^{7/} USAID, responding to a GOM named request, provided a short-term advisor in public enterprise in FY 1980. There are about 200 wholly state owned corporations and an additional 400 with heavy state participation. Receipt and expenditure accounting are difficult, but the Phosphate Office (OCP) is the biggest generator of internal funds and the regional irrigation authorities (ORMVA's) are the major users.

Ministry of Commerce and Industry. The best that can be done by way of analysis is a comparison of budgeted items for operating and investment expenditure by ministry, realizing that accounting for state enterprises, (under the tutelage of line ministries) the inflow of foreign funds (especially from Arab countries) and the planned vs. actual expenditures of ministries remain unresolved problems^{8/}.

From what is known at the time of writing, the Investment Budget is projected to increase by 18.6 percent over 1980 to about 10 billion dirhams (\$2.5 Billion). Ministry Investments directly ascribable to basic human needs come off favorably :

| Ministry | Investment Budget | | | |
|------------------------------------|--------------------|---------------------------------|----------|----------------------------------|
| | Budget (000 DH) | Percent of Investment Budget | | Percent of Increase 1980-1981 |
| | | 1980 | 1981 | |
| Agriculture (excluding dams) | 1,503,000 | 9.2 | 15.0 | 93.4 |
| Education | 842,670 | 6.2 | 8.4 | 60.2 |
| Public Health | 237,710 | 1.5 | 2.4 | 83.8 |
| Housing | 205,427 | 1.5 | 2.1 | 64.8 |
| Labor | 78,540 | 0.6 | 0.8 | 54.9 |
| Total Investment Budget | 9,996,633 | - | - | 18.6 |

These figures exclude education, training, health and employment creation activities hidden in other ministries' budgets.

^{8/} Budgeted allocations may be blocked at any moment and credits for one year need not be expended. Credit rollovers to following years are common. Much of the 1981 investment budget consists of blocked or unexpended credits from previous years.

The 1981 budget was formulated at the same time that the Plan and MF programs were undergoing extensive discussion. Implementation of the MF performance criteria may result in a restructuring of the investment budget away from social overhead and toward more directly productive investment.

The operating budget is less susceptible to resource shifts. This is projected to climb 21.5 percent to over 15 billion dirhams (\$3.75 billion) accounted for by salaries, expendable materials and "common activities" (principally consumer subsidies).

The question remains, how shall these expenditure increases be financed?

Up to now, Morocco's conservative money managers have advanced the money supply at less than the rate of inflation. Budgetary shortfalls have traditionally been met by largely unrecorded capital flows from Arab countries, by off shore borrowing or by the expedient of blocking budgeted investment credits which may be deblocked the following year. In the future, according to the terms of the MF agreement, consumer subsidies on foodstuffs and indirect subsidies on energy, utilities and irrigation water will be reduced. Taxes on consumer imports will again be raised since these are relatively easy to control. Part of the short run answer rests on the GOM's ability to increase private saving and channel private investment away from speculative land purchases and high cost housing to more directly productive endeavors. It has accordingly undertaken to revise urban and agricultural land tax structures.

In the longer run, the success of phosphate and derivative exports, the search for domestic energy sources to replace soaring oil import costs ^{9/} and the drive toward food self-sufficiency are seen as improving the foreign exchange situation and reducing the debt service burden to attain sustained economic growth and increased government revenues.

h. Other Donors

In general, USAID specializes in areas not covered by other donors -- dryland agriculture, population and vocational education (see separate sectoral presentations). We do not know in detail the total amount and sectoral contributions of other donors as there is no central contact point within the GCM.

France is the largest bilateral donor. French aid comprises a mix of highly concessional balance of payments loans (usually used to buy French goods), project loans, salary support for French advisors and teachers, and commercial lines of credit, all guaranteed by an agency of the French Government. Exact annual figures, especially on drawdowns,

^{9/} Energy imports, of which oil products constitute over 95 percent by weight and volume, increased 9.5 percent in volume but 113 percent in value between the first half of 1979 and 1980. Thus, 1981 will see petroleum imports rise well above \$1 billion. For the first half of 1980 (the latest figures available) the dirham value of exports had increased 46 percent over the corresponding period of 1979, while import value grew by 24 percent. Export coverage advanced from 50 percent to 59 percent of imports. Excluding petroleum, export coverage would be 78 percent.

are not known in detail but are probably valued at about \$350 million. The ability to mix development and commercial assistance and to control the degree of concessionality in a manner very difficult for the U.S. to emulate continues to give France a competitive edge over other donors ^{10/} in financing agreed upon projects which also serve the needs of French exporters and expatriates. Grant assistance, particularly in education, is also a significant component of the French assistance package.

Members of the EEC provide scholarships, technical assistance (e.g., the Germans in agriculture) and concessional prices on surplus foodstuffs, usually enough to undercut U.S. wheat sales.

The UN family operates a program composed of technical advisors, consultative studies, scholarships and limited equipment across a broad range of activities. The assistance level is approximately \$20 million per year. USAID has reported elsewhere in greater detail on UN and World Bank programs. USAID cooperates closely with the UN in certain common activities, notably population. USAID also maintains reasonably close liaison with the World Bank in agriculture, population, housing, health and energy activities where our programs complement each other.

^{10/} An exception is a British contract awarded in 1980 for a large rolling mill at Nador.

Movement of Arab funds is largely parallel to the official banking channels and is estimated in national accounts by residual means. Many Arab funds are privately invested or enter the government's financial planning untied to projects. Arab financing is a major factor in some industrial and phosphate projects outside AID's mandate.

East bloc technicians are paid for directly by the GOM. Most lines of credit can be considered part of normal commercial transactions rather than development assistance.

3. THE AID STRATEGY

We continue to propose a strategy which is sector, subsector and project specific. Given the stresses which the international and domestic economy have inflicted on Moroccan government planning, we believe that Moroccan resource allocation is all that can reasonably be required. In certain sectors, however, it is more than that. In health and population, we have been pleased at the evolution of Moroccan policy and thinking, especially in regard to family planning. In agriculture, for a variety of reasons, some of which have already been discussed, Moroccan emphasis is moving to the dryland areas. We have been encouraged by Moroccan willingness to experiment with various vocational education techniques and systems and we have been helpful in helping Morocco with these experiments. In low cost housing, Morocco's policies have become heavily oriented toward the poor within the past two years. Thus, where there is a congruence between particular Moroccan policies which

are basic human need oriented and USAID competence and comparative advantage, we have encouraged project development and working together. Happily, the period of the last two years has also been a period where Morocco has recognized the advantages of working with the United States.

For a number of reasons, Morocco has sometimes had a reputation for not caring for its poor. It is true that income disparities have either remained about the same or have not been reduced significantly in the recent past but it is not true that Morocco has willfully neglected the well being of its people. A number of ministries have programs which cater to those who have been bypassed in one way or another by the advance of modern society and not taken care of by the traditional society. Morocco has also suffered from the misrepresentation of some of the data used. The inability of Moroccans to make their case effectively, their failure to see that their goodwill will not be accepted if it is not demonstrated by themselves, is also a factor in the poor reputation that this economy has sometimes enjoyed. It is not only that Moroccans make poor advocates but that they find it distasteful to need to advocate. As we have said, much of this is changing. New policies are being articulated and implemented in housing, dryland agriculture, population and preventive health, education and rural development; and even in these hard times, some additional funding is finding its way into these segments. As usual, the GOM continues assiduously to meet its commitments in joint projects and to publicize U.S. involvement.

But welcome as this improved climate across the sectors is, the strategy which we describe hereafter depends essentially on looking at each sector, at what Morocco is doing in that sector, and on making a judgment as to the utility and desirability of U.S. involvement. The Moroccans are doing the same. Where they have found special U.S. competence, including the advantages of the English language, on which we have commented before, they have asked for assistance. Where our analysis and theirs coincide, as in the following pages, projects have ensued and will continue to be developed. This kind of piece-by-piece strategy lacks some of the intellectual satisfaction which is derivable from articulating an overall concept and extrapolating therefrom sector by sector consequences. We have, on the contrary, begun at the other end and built up. The result is a coherence made up of many threads rather than a coherence of grand strategy. But it is, in our view, a stronger coherence for all of that.

Our FY 1983 strategy, therefore, calls for modestly increasing funding levels for projects and sectoral goals largely articulated in prior documents. It should be noted that the funding targets are little changed from last year's CDSS which received a favorable AID review.

USAID efforts in agriculture (see Section 4) will continue the present focus on dryland regions.^{11/} Our focus derives from a dual rationale:

^{11/} Dryland Agriculture Applied Research (0136), Range Management Improvement (0145), proposed Integrated Forestry Development (0165), Agronomic Institute (0160) also have major dryland components. The proposed Agro-Mechanical Skills Training (0163) and Douar Water Systems (0167) projects will also have major impacts in dryland areas.

a. There is much to be done. The dryland regions contain about one half of Morocco's rural population, including a majority of the rural poor. The areas have been neglected in terms of GOM interest and investment relative to the nine major irrigation perimeters and smaller irrigation projects. Successful efforts here will pay off in both economic and social terms.

b. Dryland agriculture is a development field where the U.S. holds a comparative advantage relative to other donors. U.S. dryland grain yields in climatically similar regions are about twice those of Morocco. U.S. land grant universities have strong research and extension capabilities which could be applied to Morocco.

Increased GOM commitment to dryland agriculture discussed in Sections 2 f. and 4 will provide an atmosphere conducive to the success of these efforts.

However, we do not think the GOM's past policy of supporting irrigation projects is in error. Morocco has great potential for expanded irrigation due to vast mountain water resources, probably more than any other Near Eastern country. If Morocco is to reach its goal of overall agricultural self sufficiency by 2000, it is evident that a majority of that production will come from irrigated areas. The policy of continued investment in irrigation must therefore continue during the Five Year Plan. Further, the "dryland versus irrigated" dichotomy is a simplistic notion as is any dichotomy. In this case, it has led

to further dubious and disabling dichotomies such as "rich versus poor", "export versus domestic consumption" and "top down versus participatory". The dryland areas themselves are internally varied. Some are well watered and productive. Some farms are large. At the same time, farm size within the perimeters is about 5 hectares, an operating size sufficient to maintain a relatively modest living standard. Many rural poor remain within or are supported by the perimeters. The preliminary draft evaluation report of the Moulouya Irrigation project showed substantial benefits to poor farmers, farm laborers and rural non-farm workers in agro-industrial processing. Similar results have been informally noted with respect to our Doukkala irrigation project, with small farmers estimated to have doubled income within the first year of operation. (We will be programming a more thorough evaluation early in 1981.) We have been approached for a second loan in Doukkala, and based on our experience in Doukkala and Moulouya, we wish to retain that option in our future program, dependent in large measure on availability of water in the general area. Post harvest losses and grain storage problems are other identified needs in the agriculture sector to which we would like to be responsive in the future.

To increase farmer productivity and rural job possibilities, we intend to pursue an Agro-Mechanical Skills project.

Forestry development (see Section 8.a.) is a further dimension beginning in FY 1982. Rapidly expanding population has brought about a clearing of new land for agricultural purposes, destruction of trees

by increased numbers of livestock and cutting to meet energy needs. Deforestation has destroyed watersheds, caused erosion and desertification. An AID forestry development project will strengthen the GOM's capacity to counter this trend and produce long-term benefits for the rural sector.

As last year's CDSS pointed out, the GOM has shown gradually increasing appreciation of the population problem. We are now seeing a greater willingness to act. (See Section 5.) The Five Year Plan assigns high priority to family planning and the Ministry of Health is becoming more serious than ever before about concrete program planning. These factors indicate a growing GOM commitment to a permanent, expansive family planning campaign and represent the shaping of an environment very conducive to the effective use of GOM and donor resources for a large population effort. We propose continued support for the GOM in its slow but steady efforts to lay the foundations for a stronger program.

Closely related to family planning, USAID has consolidated a breakthrough in the field of health (See Section 6) where, for the first time in years, a project is getting underway to improve health management -- a first priority and necessary antecedent to broader AID participation in GOM health-related efforts. This activity will support a greater GOM emphasis on preventive medicine and help the Ministry of Health to facilitate the trend toward more equitable distribution of resources. We propose support for a high priority GOM rural potable water program as a major component of rural development and decentralization plans. This

program will benefit the rural poor, include substantial community level involvement and a strong public health component.

PL 480 Title II food aid is being directed increasingly to nutrition development objectives. Our approach is suggested in the "Title II Nutrition Strategy" paper which USAID submitted in the spring of 1980. (See also Section 6.b.) Title II is the one economic development program with wide outreach throughout the country but with a specific tilt toward those areas and groups most specifically identified as the poorest in the country by our 1979 paper "A Statistical Distribution of Morocco's Poor". With the support of further project assistance in the nutrition area, we propose to support GOM efforts to integrate nutrition into community and social development activities, make increased use of Morocco's own resources for nutrition goals and move toward self-reliance.

In education and human resources (see Section 7), we propose to consolidate, rather than expand, our activities. Three important projects in skills training, two designed specifically for women, have taken shape during the past two years and are helping the GOM strengthen and expand its skills training programs. We propose to support this effort with a single technical training project built on the foundation of our current activities. AID assistance for the more effective involvement of women in economic and social development will be carried further with the help of a grant to the Overseas Education Fund for work with the Moroccan Women's Union. A more sharply focussed general development training project will continue to provide complementary support for the overall AID program in priority development sectors.

Morocco's heavy dependence on imported oil is deeply felt throughout the society, not least in the rural areas. (See Section 8.b.) With energy imports nearing one-third of the value of all imports, Morocco must move quickly to conserve and exploit other energy sources to a maximum by the year 2000. The social and economic costs of failing to deal with high energy costs can effectively neutralize development efforts across the board. AID is beginning to assist the GOM in renewable energy development -- small hydro, sun, wind and biomass. We propose to supplement this assistance with a national energy assessment in 1981 and technical assistance in conventional energy development directed especially at developing Morocco's major oil shale deposits. By thus facilitating the transfer of appropriate technology, AID is likely to have a major influence on Morocco's energy future.

Morocco's urban development problems continue to be severe. (See Section 8.c.) Consistent with the 1982 CDSS, our strategy has been to support and reinforce the positive elements in GOM housing programs and to encourage a shift in overall GOM orientation toward comprehensive solutions to shelter problems facing low income households. The GOM has requested substantial U.S. assistance in housing over the next five years. Relying primarily on Housing Investment Guaranties, we believe this sector should continue to receive U.S. support provided GOM policies continue to reflect increasing emphasis on housing the poor.

We have not had a PL 480 Title I program in FY 1981. Title I programs in recent years have been relatively small and, given the size of this economy, not in any way factors in discouraging domestic food grain production. Morocco, in the matter of Title I programming and self-help reporting, has never shown itself at its best. Partly, it is a matter of government organization: Title I does not fall readily into the area of responsibility of any one ministry. Partly, it is the general Moroccan attitude already commented upon, to wit, that Morocco's performance is so self evidently excellent that no case needs to be made. In fact, the way Morocco has budgeted resources fueled by the Title I program cannot, in the larger sense, be faulted and Morocco's reputation in this area of somehow not doing as well as Tunisia is unwarranted. USAID is, however, aware of the need to make a better case. We have now approached the GOM with a multi-year proposal which we expect to discuss in detail in January/February 1981. This proposal, which we will eventually broach in detail to Washington agencies, will be patterned on the Tunisian model and will clearly indicate the relationship between Title I and development programs. We have, therefore, straight lined Title I in this presentation for we continue to believe that a Title I program has economic, psychological and political benefits in this country.

4. AGRICULTURE

It is well known from past USAID submissions that the GOM has given greater support to the development of cash crops for export (mainly irrigated vegetables and citrus) than to its traditional sector (cereals) during the past twenty years. Their reasons are obvious. Morocco's proximity to the population of Europe has provided a ready and quite profitable market for its horticultural produce. The result is a relatively modernized and productive horticulture sector providing export earnings and an unimproved cereals sector with increasing deficits and growing import requirements.

It is useful to draw a parallel with the situation in Mexico which, because of its closeness to the U.S., has emphasized vegetable production in order to capitalize on the massive U.S. market for produce. This has been done at the expense of the cereals sector and Mexico like Morocco has gone from a grain exporter in 1970 to a major importer of grain by 1980, again impelled by population growth.

It is clear that the GOM is having difficulty in maintaining its current level of income from export crops. This is due partly to internal factors (cultivation and marketing problems) but more to external factors mainly stemming from restrictions placed on Moroccan products by the EEC and loss of some trading advantages in the French market. This, combined with increased cost in the imports of grain and a desire to help the traditional small grower sector, has led to increased

emphasis on improvement of the dryland areas. There is substantial evidence that this commitment is more than rhetoric.

The Ministry of Agriculture's budget for reforestation was nearly doubled between 1979 and 1980. The budget for range management activities is being increased about 20 percent per year. The dryland farming project is being adequately supported. The Hassan II agriculture college has recently introduced new programs to increase the training of technicians in dryland disciplines. Most World Bank lending in recent years carries important components for credit to small growers.

In a recent policy speech the Minister of Agriculture stated the GOM's intention to complete the development of major irrigated perimeters quickly and henceforth to place emphasis on small to medium sized integrated irrigation-dry farming projects scattered throughout the dryland regions. He also emphasized the GOM's commitment to the dryland sector and outlined several initiatives the Ministry is taking in support of this sector. These are:

- a. The support price of cereals has been increased by 20 percent;
- b. Milk price has been increased by 15 percent;
- c. Rice prices were increased by 23 percent;
- d. The price of improved seed has been decreased and the supply has been increased by 55 percent;
- e. The taxes on tractors have been lowered by 15 percent;
- f. The price of fertilizer is remaining the same as last year;
- g. The amount of credit available for small farmers has been increased.

There has been considerable discussion of the economic and social viability of rainfed projects compared to large scale irrigation. World Bank experience with both irrigated and rainfed agriculture projects in Morocco, though not sufficient to permit definite conclusions, tends to indicate that compared to large scale irrigation projects, rainfed projects are less costly per hectare, per family and per dirham of output (i.e., have a higher economic rate of return). Recent large scale irrigation projects studied by the Bank in Morocco have projected economic rates of return varying between 7 to 12 percent. Projected rates of return to rainfed and agricultural credit projects studied by the Bank generally are close to 20 percent. Rates of return to the poverty oriented mountain, forestry and pastureland improvement projects are probably in the 10 to 15 percent range.

In the last few years, the USAID strategy in agriculture has been to concentrate its activity in those areas which affect the very poor and which at the same time are areas where the U.S. is particularly qualified to offer assistance. This strategy is beginning to pay off. The AID agriculture project portfolio is developing into what can be described as a very appropriate, multi-faceted approach to many of the critical problems of Moroccan agriculture.

This success is based in large part upon our Agronomic Institute project which has set the stage by training Moroccan technicians in certain disciplines - range management, dryland cereal production and

forestry - which until recently were not offered by the Institute because of its newness and its European-oriented curriculum. The result has been that a trained cadre of technicians has moved into the Ministry of Agriculture thereby facilitating USAID's efforts to encourage the Ministry to address what we consider to be particularly grave problem areas.

The Range Management project will directly address the much-publicized problem of over-grazing and stagnating red meat production. The Dryland Agriculture Applied Research project will develop improved techniques of dryland cereal production, an area critical to the livelihood of the poorest Moroccan farmers. Finally, the Integrated Forestry Development project is expected to contribute significantly to help keep down rising fuelwood prices and increase mountain village revenues from sustained wood production.

The missing link in what would otherwise be a well-integrated and comprehensive AID program is a dryland cereals production activity to complement on-going research efforts. Before such an effort in cereals production can begin, two tasks must be completed: (1) The package itself must be developed on the research station; (2) The cultural practices and economics of the existing farming system in the dryland zones must be analyzed. The first task can begin with the arrival of the dryland research team in 1981. The second task is for the most part being performed now by the Agronomic Institute under the socio-economic research component of the dryland project which is addressing

the following areas: household consumption; cereal production techniques; labor requirements; land tenure; local political system; ethnic groups; social history; production costs and returns; local cereal marketing and marketing of inputs; local availability of credit; mechanization and animal traction; and yields.

In addition, there is a considerable body of information which has been developed concerning factors exogenous to the dryland farm such as the marketing system, adequacy of the extension service, availability of institutional credit, and cereal pricing policy. The most useful of several agriculture studies which have been done in recent years is the World Bank memorandum on Morocco's agriculture sector. This is a comprehensive summarization of sixteen Moroccan Ministry of Agriculture subsector studies, eleven various project preparation reports and eight World Bank appraisal reports.

USAID therefore judges that any future analysis of the Moroccan agriculture sector should take place only within the context of a future cereals production project. With the completion of the current World Bank study, the GOM view, shared by USAID, is that the agriculture sector has been thoroughly studied and that another sector analysis would be essentially repetitive of work already done.

Using existing data and the social and production results of the dryland research project, we plan, by the end of FY 1981 after the dryland research team is in place, to start gathering pertinent technical

information which we expect to become the supporting documentation for a Project Identification Document for a Cereals Extension/Production project.

We already have some background in Morocco's cereals sector. Morocco's major cereals (wheat and barley) have been grown here for over 2000 years and are the backbone of its traditional agriculture. These two crops cover 4,000,000 hectares (10 million acres) and constitute about 80 percent of the total (5.3 million hectares) cultivated land in Morocco. It is estimated that over 1,000,000 farmers are engaged in and earn their livelihood from wheat and barley farming.

Morocco was self-sufficient, and even an exporter of wheat until 1960 when population demands began to surpass production. GOM efforts to increase cereals production have been limited and, in general, inadequate to meet growing demand for food grains. From time to time the GOM has increased the support price of grain but this has had little effect on production because the actual market price often has been greater than the support price. There has been some grain yield increase, nevertheless, and Morocco's total production of wheat and barley has increased from about 2.5 million tons in 1965 to 4.0 million tons by 1979 and 4.3 million in 1980. However, this increase has not nearly kept up with consumption during the same period. The result has been the need for increasing imports of wheat which reached the 2 million ton level in 1979.

Wheat and barley have historically been dryland crops. Almost all wheat and barley in the world (certainly over 90 percent) is produced in areas of less than 600 millimeters (22 inches) of annual rainfall.

This is certainly the case in Morocco. While small amounts are grown in higher rainfall and increasingly in irrigated zones, about 80,000 hectares, this is relatively insignificant and will probably remain so. It is clear then that any effort to increase grain production in Morocco should be aimed at the dryland zones, most of which receive, with great variability, an average of 200 to 400 millimeters of rainfall.

Due to the sharply rising costs of imported wheat and the resulting drain on Morocco's foreign exchange, the government is clearly under pressure to increase domestic production. Certainly, some improvement will result from existing efforts mentioned earlier in this section. It is evident, however, from all past efforts to increase production that the cultural practices of the small dryland grain farmer must be improved if significant increases in grain yields are to take place. Yields in Morocco are on the average from 25 percent to 50 percent lower than those in most developed countries. Simply put, Moroccans have to become better farmers if grain production is to reach its full potential. Additional inputs, credits and increasing prices alone are not enough.

Some technology for improved farming methods already exist and more will be developed under the Dryland Agriculture Applied Research project. This technology includes, but is not limited to seeding methods, moisture

management, weeding practices, tillage, fertilizer application, pest control, and post-harvest losses.

The most effective way to bring about this transfer of technology is through the actual involvement of farmers in the research process. This should be carried out through a program of farmers field verification trials whereby farmers actively participate with researchers and extension agents in carrying out trials in their own fields, thereby adopting those methods which produce results.

5. POPULATION

Morocco's population of 21 million is growing at an annual rate of over 3 percent - essentially the same rate of growth experienced by the country thirty years ago. During this period, however, the crude death rate dropped dramatically, from 29 per 1,000 population to about 13, while the crude birth rate also dropped by 16 per 1,000, from about 59 to 43. However, while declines in both birth and death rates appear to be leveling off, future declines are likely to be sharper in the crude birth rate than the crude death rate, resulting in slower population growth. This differential likelihood rests in the substantial - and as yet largely unmet - demand for contraceptive services in Morocco.

Pending analysis of the Morocco portion of the World Fertility Survey, current contraceptive prevalence here can only be guessed, based largely on Ministry of Public Health family planning program statistics and commercial contraceptive sales figures. Combined and

adjusted for under-counting, these data suggest that about 400,000 couples are currently practicing some form of contraception - about 15 percent of eligible couples. But in Marrakech province - site of the recently-completed systematic household visit motivation (VDMS) pilot project - approximately 45 percent of couples accepted, and continued to use, contraceptives 6-12 months after their receipt. The critical factor in Marrakech, of course, was the immediate, ready availability of contraceptive information and services, reinforced by subsequent follow-up, counseling and re-supply. To the degree that Marrakech province is representative of the country, Morocco seems to be an ideal candidate for a vigorous population program, i.e., wherein program investment would appear to have a strong likelihood of success.

The extent to which success has in fact flowed from investment is discussed in a Population Project Evaluation Summary (PES) to be submitted by USAID in January 1981. Briefly, that report describes an ambitious, well-designed population program which is still, after two and a half years, characterized more by its potential than its impact. Replication and expansion of the VDMS project to additional provinces remain 4-5 months in the future - about two years behind schedule. With two exceptions - the Morocco World Fertility Survey and the National Training Center for Reproductive Health - implementation of the other population subprojects is similarly delayed. (Indeed, initiation of the Moroccan part of the World Fertility Survey and the Training Center activities took a year longer than expected.)

Yet, despite this slow pace of implementation, USAID is guardedly optimistic about the long-range prospects of population efforts here.

Why?

First, the difficulties encountered by the program thus far have been due only in part to GOM political timidity. To the contrary, the number of official GOM statements supportive of population planning has increased over the past two years. At a recent (December 1980) colloquium on science and technology in development, the Minister of Education expressed for the first time publicly his concern: "Every two seconds a child is born; every two minutes there is need for a new classroom; every day a need for a new school. Population is the country's major development problem."

Secondly, at the GOM working level, our counterparts in the Health Ministry are increasingly involving themselves in the routine, but essential and overdue, aspects of practical program planning. A long-inactive panel of Ministry leaders and provincial health staff commenced regular meetings in August 1980, after two years of existence in name only. The panel has already prepared a recommendation to the Health Minister urging additional investment in the population program. In late December 1980, the Ministry completed preparation of a detailed, province-by-province budget (for Meknes, Beni-Mellal and El Jadida) covering expansion of VDMS to those areas. And despite the conventional wisdom in Morocco that sterilization is an intensely sensitive subject,

the Health Ministry is quietly proceeding to establish a nationwide sterilization service infrastructure via the National Training Center's training programs and AVS/PIEGO equipment grants.

Finally, the health section of the new GOM Five-Year Plan assigns highest priority, along with preventive health measures, to family planning. Together, these factors indicate a growing GOM commitment to a permanent, expansive family planning campaign, and represent the shaping of an environment very conducive to the effective use of GOM and donor resources for a larger population effort.

These developments are particularly heartening in view of Morocco's traditional ambivalence toward population matters. In this sense, it must be noted that there have been few "turning points" or "events" in Morocco's recent past which have signaled notable transitions in the government's approach to its population problem. The process in Morocco is rather one of gradual consensus-building within the Health Ministry where the essential criterion for a proposal's success is its ability to accommodate the broadest range of concerns. The VDMS expansion project, for example, was transformed by this process from a contraceptive distribution project into an integrated health, nutrition and family planning program - a change which both served and did not threaten a broad constituency within the Ministry, while consuming much more time to arrive at the present stage of project development.

Having gone through this process, however, the "political" phase of the project - indeed, of the whole notion of liberalized distribution

of contraceptives - is essentially completed, and attention can now turn to implementation. Recalling the strong latent demand for contraceptives revealed by the Marrakech pilot project, the impact of actual project operations should be substantial; thus our optimism.

Effective execution of the project (VDMS and the various subprojects) will nonetheless be affected by several factors inimicable to the Moroccan "system" in general and the Ministry of Health in particular. Systematic factors include a reluctance to expedite decisions or actions; a high degree of GOM centralization which serves to separate and remove operational personnel from the planning process; and the critical role of individual managers and their dispositions - at both central and provincial levels - notwithstanding the "official" position of an employing ministry of government. Health Ministry factors, in addition to the above, include a badly over-extended leadership, archaic management systems and procedures, and a provincial health structure poorly prepared to support a vigorous family planning program. While the combined effort of these factors is not likely to jeopardize the various sub-projects themselves, it will probably continue to inhibit their implementation at as rapid a pace as we would prefer.

Importantly, the Ministry of Health is aware of many of its own problems. The new Health Management Improvement project was originally proposed by the Health Ministry and is designed to address many of that organization's management weaknesses. These improvements will

not be effectively installed, however, for at least two years. In the meantime, a major retraining effort is also needed for Ministry field staff. Their present comprehension of and participation in family planning is slight - even though they must eventually serve as the post-VDMS delivery system for family planning services.

Ministry of Health

On balance, then, the GOM/has a good program poised to start; is a slow, inefficient implementing agency, but with an aim to rehabilitate itself; and is faced with an as-yet unbudgeted and unscheduled requirement to reinforce its family planning delivery system.

The implications of this situation for the AID population assistance program are noted in the PES for each of the program's ten subprojects. A few, including the commercial sale of contraceptives and some participant training slots, may be subject to reprogramming or even partial deobligation depending on GOM actions over the next few months. However, the unmet requirements of the "regular" Ministry's health system in personnel training, information, education and communication (IE&C) materials, local costs for transport, etc., would offset any funds which might be recovered from other scaled-back subprojects.

The financial consequences of this situation for the short term suggest a modest FY 1981 U.S. contribution, i.e., in view of past project delays and the resulting large pipeline, but a return in FY 1982-87 to more substantial U.S. inputs as VDMS pushes out to additional provinces; contraceptive requirements pick up; and specific in-country training and equipment needs are developed in detail.

In summary, USAID's position toward the past and future of GOM population efforts is a mixture of some disappointment with the pace of activity, tempered by an understanding of the contributing factors, and a generally positive view toward prospects for a more vigorous program. Despite the inevitable frustration invited by past GOM performance, we nonetheless propose continued patience on our part, represented by our willingness to assist the GOM in its slow but steady efforts to lay the foundations for a stronger program.

6. HEALTH

The health sector statement set forth in the FY 1982 CDSS is still valid, with the exception that USAID and the GOM have agreed on the framework for a health management improvement activity within the Ministry of Public Health. Development of this project is consistent with the CDSS' identification of the Ministry's managerial and systems reform as the first priority, the necessary antecedent in fact, to broader U.S. participation in GOM health-related efforts.

In addition to its primary aim of improving Ministry management systems and procedures, the new health project may also facilitate the trend toward greater equity in the Moroccan health system. Traditionally, the expansion and improvement of hospital operations has claimed the highest priority within the Ministry of Public Health's budget: 67 percent of the health sector's 1973-77 Development Plan (investment) budget

financed hospital related activity, versus 28 percent for preventive programs. In addition, about 75 percent of the Ministry's recurrent budget financed hospital operations.

In recent years, however, the Ministry has moved increasingly, in both rhetoric and resources, to promote the relative position of preventive programs and basic health services. The Five Year Plan for the health sector tentatively provides an equal division of the budget between hospitals and preventive programs (mother and child health (MCH), vaccination, disease surveillance and sanitation).

The new management project may well support this trend by providing the Ministry with its first ever capacity to establish program costs, impact and, consequently, budgets. Ministry officials have indicated that the health section of the Five Year Plan is flexible, and that they intend to utilize these new accounting and budgeting tools to facilitate the trend toward more equitable distribution of Ministry resources.

In the longer term, i.e., following reinforcement of Ministry management and carrying capacity, the GOM will be in a far better position to effectively utilize U.S. and/or other donor assistance to improve its basic health services. USAID views the new management project in this "planning/preparatory" sense and expects to build on its results in the future.

a. Title II and Nutrition Objectives

AID's largest program in Morocco, both in terms of assistance

levels and direct beneficiaries, is a Title II and Catholic Relief Services supported nutrition education and child care program which reaches 150,000 young mothers and their 300,000 children through 300 centers. A recent Impact Evaluation conducted by the Office of the AID Administrator noted that the nutrition education received by the disadvantaged Moroccan mothers at the Ministry of Social Affairs mother and child health centers had a clear effect on improving the height, weight and overall well-being of children among a population with high malnutrition risks.

USAID and the GOM Ministry of Social Affairs have begun a dialogue to link Title II, through project assistance, with broader nutrition development objectives. The GOM clearly has been giving its Title II-founded nutrition program greater financial and administrative support and increased personnel for the expansion of its nutrition school and the introduction of nutrition education into its other programs.

Given this productive atmosphere, the time is opportune for assisting the Ministry in its own short-term initiatives to improve its program and to introduce longer-term activities aimed at increasing the program's impact and at progressively moving the GOM and the Ministry of Social Affairs toward greater self-reliance.

Project assistance in nutrition will include a broad range of activities in two phases: Phase I will deal with previously identified problems, including targeting and coverage; sharpen current program-related

operational skills and strengthen the nutrition activities in the various Ministry of Social Affairs centers. Phase II will establish a nutrition surveillance system for the Ministry of Social Affairs mother and child health program - a prerequisite for effective nutrition planning and for measuring benefits of programs and policies designed to improve nutrition, and help the Ministry expand its program of supplemental feeding while simultaneously decreasing its dependence on outside (Title II) resources. The GOM has acknowledged the need for both of these program elements, and will be working with USAID technical consultants to elaborate on the specifics.

The Ministry intends to integrate nutrition into community and social development activities, many of which are yet to be elaborated. This will demand ever increasing GOM attention and commitment to the alleviation of nutrition problems and on increasing use of its own resources, particularly agricultural products. The GOM is demonstrating a willingness and an ability to move toward self-reliance; Title II-related technical assistance over the next five years will be used to encourage this trend. Continued Title II food aid is an essential part of our joint endeavors.

b. Potable Water

In Morocco, as elsewhere, there is a well-documented linkage between potable water/rural sanitation and a reduction in water-borne diseases and childhood diarrheas. Accordingly, the GOM in its Five

Year Plan intends to invest considerably more effort in rural potable water.

The National Office for Potable Water (Office National de l'Eau Potable - ONEP) has recently expanded its writ to include small urban centers in addition to the major cities. Yet overall responsibility for rural potable water is still divided between ONEP, the Ministry of Agriculture whose primary concern is agricultural production, and the Ministry of Health. The GOM recognizes that rural potable water must be a major component of rural development and decentralization plans. It is engaged in internal discussions which will lead to a uniform approach to rural water supply. In addition, resources to be put forward by the GOM for potable water activities during the Five Year Plan period will include increased funds for water exploration and equipment and increased emphasis on training technically qualified personnel. USAID wishes to support these initiatives.

The Douar (village) Water Systems project, as a cooperative effort with the Ministry of Interior, UNICEF and the Peace Corps, represents a new avenue of approach to the problem of rural water and sanitation. The GOM has approached us three times in the potable water field. Previous approaches have been heavily equipment oriented or aimed at the urban sector where other donors are present. One rural initiative involved only the Ministry of Health, which was not able to mobilize sufficient manpower, resources, technical capability, and organization to implement this kind of program.

The Ministry of Interior, on the other hand, is in charge of the social and economic development of rural communes, an activity which has been gaining momentum since 1976 when it initiated a "grassroots" development scheme through elected councils representing the local collectivities throughout Morocco. These councils have been given, and are exercising, increasing responsibility in defining local development needs and priority projects.

The 400-plus villages (about 800,000 people) selected for rural water supply rehabilitation under this project were screened from among those whose local councils had signaled water as a priority need. In terms of USAID priorities and interests, the project is important in several respects: it addresses basic human needs; its beneficiaries are the rural poor; it calls for community level involvement from project identification on through project implementation; and it fosters an integrated approach to a potable water supply, including a strong public health component.

7. EDUCATION

Education has traditionally been one of the sick children of Moroccan development. It cannot be argued that the problems with which Morocco found itself at the time of independence 25 years ago were worse than those which faced other developing countries but they were severe enough and had some special features which made it particularly difficult for Morocco to make large strides in providing good and relevant education for all of its citizens.

The main problems, most of which remain, can be summarized as follows:

a. Population growth: Morocco's population continues to grow at better than 3 percent (Sections 2.b. and 5.).

b. The size of the country and its relatively sparse population density away from the more heavily populated coastal zone. This means that education per unit is expensive and it is difficult to extend the system to rural areas where 60 percent of the population live.

c. Language: Morocco is not unique among developing countries in having a language problem which complicates its education task. But Morocco's problem is nonetheless real. It is a country where the principal language is vernacular Arabic not readily understood outside Morocco. Moreover, a substantial part of the population speaks as its first language one of three mutually incomprehensible varieties of Berber. In the rural Berber areas, while most men speak Arabic, most women do not and the language of the household, the language which the child picks up, is Berber. On top of this, French is virtually the official government and commercial language; to get ahead in this society, it is a necessity.

Given this language mishmash, it is no wonder that Moroccan planning for Moroccanization and Arabization has been slow and muddled. And, even this is not all, for the Moroccans feel very strongly that French, as a world language, does not meet all of the professional and technical needs that modern society demands in its contacts with the

outside world. This is part of the reason for a growing desire to learn English which we have remarked upon in previous CDSSs.

d. Poor policy choices in the education sector: In the mid-1960s vocational/technical training was taken out of the Ministry of Education and distributed among other line ministries. The impact of that decision is now being felt in that high school graduates and large numbers of college graduates have had no vocational or technical training and are now swelling the ranks of the unemployable.

A second and perhaps even more important weak policy choice was Moroccan adoption of the French educational system and French education techniques with the usual time gap between the motherland and ex-colony; i.e., Morocco instituted the French system of 25 years ago. This drawing upon the French model, for historical and cultural reasons, when combined with Moroccan tradition and Koranic educational influences, means that the system Morocco has constructed is peculiarly non-relevant to most of its development needs.

A third poor choice is the lack of attention to teacher training in the Moroccan education system. This may well be the obverse of the coin frequently remarked upon of Moroccan preoccupation with buildings and a Moroccan tendency to overbuild and build too lavishly.

Thus, though it can be demonstrated that Morocco found itself with considerable problems, it must also be admitted that up to now Morocco has not gone about solving them sensibly. There can be very few countries at Morocco's development level which continue to depend

25 years after independence on outsiders to teach: even today, there are some 7,000 French teachers in Morocco's secondary schools.

A Royal Commission on Educational Reform has been established in response to King Hassan II's dissatisfaction with the dysfunctional aspects of Morocco's educational system. There is a recognized crisis in the system as past education policies made little or no attempt to match education, as practiced in the formal system, to employment needs. The Royal Commission will also address issues of equity, relevance and costs. It will be taking a broad look at the sector and its recommendations will likely have far reaching effects. More technical and relevant education is likely to be made a top priority. The GOM is planning to use the World Bank's Fourth Education loan to carry out a comprehensive restructuring of the technical education subsector. USAID is also carrying out a subsector study of vocational education to ensure the effective linkage of our project activities to the GOM reforms.

The buildup of vocational educational systems by various line ministries is a reflection of Moroccan realization that the traditional system does not fully meet their needs. USAID's three active projects in education (Non-Formal Education for Women, and Industrial/Commercial Job Training and Social Services Training) result from a Moroccan desire to experiment with other forms of education. USAID's prospective projects (Agro-Mechanical Skills and Moroccan Women's Union) also stem from this same recognition. Preliminary indications of demand for

vocational graduates is impressive. While the traditional school system may turn out unemployables, the vocational education graduate is in high demand. Recently, changes in the traditional system (under the jurisdiction of the Ministry of Education) have also been noted. Secondary technical education, higher institutes of technology and a greater orientation towards science and engineering in the universities is being advanced.

The GOM cannot be faulted for under-financing the education sector. Total public expenditure on education as a proportion of GNP is rising and expenditures in the education sector (i.e., for the Ministry of Education) have also continued to rise. (Moreover, this is understated by a considerable margin since real expenditures for education do not include in the calculation expenditures for vocational education conducted under the aegis of ministries other than the Ministry of Education or expenditures made for Koranic schools whose impact is unknown but clearly positive in terms of total enrollment and reading/mathematics skills.)

The World Bank has assisted Morocco generously in the education sector though it merits considerable criticism for pandering to Morocco's building complex rather than facing, at least until recently, more fundamental educational problems. Nowhere, in recent reports, does the Bank suggest that Morocco is not spending enough on education. It suggests that vocational education is indeed the most important

component of its program and should be further emphasized by the GOM. Similarly, the IMF, in its recent report on Morocco, suggests that Morocco, given its present financial situation, is spending too much rather than too little on education.

The present AID program is designed to correct the above noted imbalances and to provide an alternative to existing education policy. Although our projects are at an early stage of development, some first signs indicate that we are on the right track. Our current evaluation will help us to formulate future plans and to seek further funding as appropriate. We are aware of Agency policy in the education sector; we believe that the case for vocational education for men and women that can be made in Morocco is sufficiently strong to suggest that Agency policy needs can be modified in regard to this country. We recognize that our future project proposals will need to be put in a larger framework and be packaged with obvious policy implications up front.

8. OTHER SECTORS AND SUBSECTORS

a. Forestry

Morocco has about 8 million hectares of forest land (including 3 million hectares of esparto ~~grass~~) generally falling within the Mediterranean climate zone. Forest comprises about 11 percent of the country's land area. About three million Moroccans live within the forest zone and profit directly or indirectly from its exploitation.

In addition, the forest zone supports some six million sheep and goats (about a third of the national herd) during several months of the year. Total value of forestry's contribution to Gross Domestic Product is about 100 million dollars.

Morocco's forests are insufficient to meet the country's growing needs for wood fiber. Rapidly expanding population has brought about clearing of new land for agricultural purposes, destruction of plants by increased numbers of livestock, and cutting for domestic and industrial consumption. In addition, deforestation has destroyed watersheds and caused erosion and downstream siltation. It is estimated that the present wooded area in the country constitutes only one tenth of that which would be wooded if current exploitative practices were suppressed.

Production of wood for industrial use does not meet the country's requirements. Primary industrial products of Morocco's forests are wood (sawlogs, polewood), pulp, natural cork and esparto grass. The latter three essentially comprise the forestry sector exports, but only offset the value of total wood imports by 20 percent. As cork and esparto exports have been declining due to competition from substitute products in the world market, the Forest Service has decided to replace cork oak slowly with fast-growing eucalyptus in some regions. Only 40 percent of the demand for industrial wood is now met by Morocco's coniferous (cedar and pine) forests. The rest is made up by imports, which reached a value of \$100 million in 1977, or over half the value of the soft wheat imports in that year.

Nor do Morocco's forests meet the growing demand for household energy. Annual recorded production of firewood averages about a million cubic meters per year, but is probably underestimated. About 60 percent of this (primarily green oak and Argan) is converted into charcoal. Prices for charcoal have increased almost twice as rapidly as the average cost of living.

The over exploitation of the forests has led to widespread soil degradation. As a result of increased cuttings and uncontrolled grazing of livestock, some 60 million cubic meters of solid material (soil) is estimated to enter the country's reservoirs annually. This siltation decreases irrigation capacity by 6,000 hectares per year, or about a third of the annual amount of land put into new irrigation each year.

An AID-financed 5-year Integrated Forestry Development project is being prepared to upgrade the technical and administrative capability of the GOM Forest Service to carry out its reforestation program. (Biomass utilization is an integral part of the Renewable Energy Development project (see Section 8.b.).

As it takes on the average about 15 years for eucalyptus and 30 years for conifer trees to reach maturity, benefits of the proposed project must be viewed in the long term. It is clear that Morocco has much to gain: (1) an increase in municipal revenues from forestry activities in some 500 poor mountain villages, which use these revenues

for the construction and maintenance of schools and infirmaries and other community-selected projects; (2) an increase in the supply of fuelwood which will help keep down domestic energy prices; (3) decreased siltation and erosion from denuded areas currently causing some \$4.5 million annually in lost irrigation capacity; (4) reduction in trade imbalance from wood imports which now cost the GOM \$100 million a year; and (5) improvement of the unique Argania Spinosa species as a defense against desertification and an important means of livelihood for rural inhabitants in the south.

b. Energy

The energy demands of the monetized Moroccan economy are met mainly by petroleum products (82 percent), coal (8 percent) and hydro-electric power (9 percent). The energy deficit, therefore, is mainly an oil deficit. Virtually all oil is imported. The volume of Moroccan oil imports keeps increasing at 8-10 percent a year. They were at 4.6 million oil-equivalent tons in 1979, and cost more than 20 percent of the value of all imports. The figure was 4.5 percent of import value in 1973. In the first six months of 1980, fuel import costs more than doubled from the first six months of 1979 and are now running at an annual rate of over \$1 billion. Faced with this financial hemorrhage, Morocco must experiment with several other energy sources, looking toward the year 2000. It is thus important that Morocco not only assure itself of a reliable source of oil but also explore every possible

domestic energy resource so as to reduce its dependence on external suppliers.

The period 1978-1979 was a turning point in energy policy. Increased interest in energy, including renewable energy, was stimulated, in part, by the realization that the cost of imported petroleum might soon exceed revenues from phosphate exports and that known domestic supplies of coal, gas, oil and wood, at present rates of utilization, will disappear in less than a generation. There are, to be sure, indications that Morocco probably has significantly larger deposits of coal and may even stumble on an oil field along with its other presumed mineral wealth. But proving the point takes time, effort and, above all, money.

The GOM has budgeted over \$3 billion for the energy sector in the Five Year Plan. About 44 percent is for electricity production and distribution and 36 percent for oil exploration, refining and distribution. This constitutes a substantial increase in the rate of investment compared to the previous three years.

The Ministry of Energy and Mines has begun to put in motion a national energy policy which is likely to affect every aspect of the Moroccan economy during the next few years. The 1978-1980 Three Year Plan emphasized the need to reduce Morocco's dependence on imported oil. This orientation will be pursued with greater vigor and determination in the 1981-1985 Five Year Plan period. The Plan involves programs which

will (1) intensify oil and gas exploration, (2) develop Morocco's very large oil shale deposits, (3) accelerate rural electrification, particularly with small and medium scale hydroelectric generation, (4) extract uranium from phosphates and introduce nuclear energy, (5) intensify exploration and production of coal, lignite and uranium, (6) develop renewable energy, particularly solar energy and biomass, and (7) encourage energy conservation.

The World Bank is a major contributor to GOM energy efforts, having lent nearly \$200 million between 1974 and 1980 to Morocco for electric power generation, transmission and rural electrification. The Bank is now cooperating with the GOM to develop a rural electrification program which will include a major expansion of hydroelectric generation capacity, along with large scale hydro power and small dam development. At present, electricity provides a quarter of total energy supply and generation is rising at 10 percent per year. About 64 percent of production is thermal, generated from coal and oil, and 36 percent is hydroelectric. With greater use of hydro and development of oil shale potential, dependence on imported oil should be reduced.

In oil prospecting, the GOM is now working with several international firms, French and American among them, in mainland as well as off-shore drilling, although, so far, with no major strikes. Work continues with support from the World Bank, which extended a \$50 million oil exploration loan to Morocco in 1980.

The GOM will shortly announce a definite program for extracting uranium from phosphoric acid as the raw material for obtaining an assured supply of nuclear fuel in the longer term.

Morocco is counting heavily on exploiting its oil shale resources and, at this point, may well be ahead of the U.S. in actually applying retorting technology to commercial ends. Cooperating with several American private firms, the GOM is experimenting with several different technical processes and plans to begin producing shale oil by 1983. It hopes to produce 100,000 tons of shale oil annually by 1985. The GOM has made clear that it wishes to encourage private foreign investment to help develop its large oil shale deposits in the Middle Atlas mountains and Tarfaya in the south. In addition to extracting oil, the GOM plans to have the first experimental portion of a 1,000 megawatt shale fired electric power generating facility in operation in Timahdite in the Middle Atlas mountains by 1985, presumably in cooperation with the USSR. Whether these resources can be developed economically remains to be determined. The GOM therefore wishes to explore and develop the full economic potential of other energy resources, including renewable energy.

The GOM has already taken steps to explore the potential of renewable energies. Feasibility and preliminary design studies were carried out in mid-1980 for pilot projects in small decentralized hydro-electric generation, solar energy, biomass and wind energy, all under the aegis of a new Center for the Development of Renewable Energy scheduled to be established in Marrakech with AID financing. Small hydro is

particularly attractive to the GOM (and to the USAID) because of its potential for contributing to the development of remote, deprived areas in the context of the GOM's policy of reducing regional disparities in services. We would propose to play a role in directing Moroccan energy sources into channels which will be relatively more decentralized and available to broad segments of the rural population.

The GOM has asked for U.S. assistance in planning and management of conventional as well as renewable energy. In 1981 AID will cooperate in a national energy assessment, provide technical assistance for planning the development of oil shale, and finance training in energy technology management across the board. Together with the anticipated involvement of American private firms, and coordinated with World Bank activities, these programs are likely to have a major influence on Morocco's energy future and therefore on its economic development.

c. Housing

Morocco's urban growth rate continues to be very high, about 5 percent per year compounded of natural increase and net in-migration. This has caused severe problems in many of the country's population centers ranging from the largest cities to small rural market towns. This trend is expected to continue. By the year 2000, it has been estimated that the number of cities with populations in excess of 100,000 will double to 30 and that the present 40 percent urban population will have increased to over 50 percent of Morocco's total population. With this growth and in the absence of housing alternatives during the 1960s

and 70s to meet the needs of this largely poor population, Morocco's housing shortage has swelled to over 1,000,000 units. Squatter settlements (bidonvilles) have multiplied, social and economic infrastructure and municipal services have become sorely strained. While the possibility of employment has fueled the rural exodus, the reality of unemployment and underemployment in urban areas continues.

Beginning in 1978 with the establishment of a Ministry of Housing and Regional Development, there have been important changes in the GOM's housing policies and in its approach to urbanization problems. Concurrently with these changes has been an increasing interest on government's part to cooperate more closely with AID in this sector. Consistent with the 1982 CDSS, USAID's strategy has been to support and reinforce the positive elements in the sector which have appeared over the past couple of years and to encourage a shift in overall GOM orientation toward comprehensive solutions to shelter problems facing low income households. The most significant housing policy change to emerge during the 1978-80 Three Year Plan, and one which was encouraged by USAID and subsequently supported with project assistance, was the government decision to upgrade, rather than remove, squatter settlements as a means to integrate their inhabitants into Moroccan urban life. In the draft Five Year Plan, the upgrading of bidonvilles remains a high priority for Ministry of Housing planners. Altogether, planning level of expenditure of \$233 million has been estimated, \$163 million to be devoted to large bidonvilles with populations ranging from 20,000 to 75,000 people and \$70 million for smaller squatter

areas. In connection with their small bidonville efforts, the GOM has already begun a pilot program involving 38 sites and has requested AID assistance to support the program and extend it nationwide. A positive response would have a number of advantages including reinforcement of upgrading concepts, extension of these concepts nationwide, and a further demonstration that low cost solutions are acceptable and that scarce GOM resource will be made available for them.

In its draft Five Year Plan, the Ministry of Housing has attempted to formulate a number of different approaches which, if implemented, would constitute a broad across the board effort at solving the nation's housing problems. In addition to the bidonville program, the Plan includes a rural housing program in some 300 market towns for which an investment of \$184 million is projected, a social housing program estimated at \$630 million and a housing development program in the Sahara provinces totaling \$464 million. In addition, a land servicing program relying on purchasers' downpayments for construction costs will be continued as well as work on some of the mechanics of shelter delivery including creation of a savings and lending mechanism, easier land transfer and land acquisition and a program of incentives for private sector investment. While there is virtually no chance that this ambitious proposed program can be funded in its entirety, it does represent an effort to address housing problems in a comprehensive manner. Initial analysis suggests, however, that while the draft Plan provides the basis for a continuing U.S.-Morocco relationship in the housing sector, important gaps do remain,

specific programs still need to be modified to be affordable by the poor, and the question of subsidies continues to be an important factor limiting housing production. As indicated earlier, the GOM has requested substantial U.S. assistance in this sector over the next five years as a follow up to AID's initial efforts in the Ben M'Sik Housing Guaranty project in Casablanca and technical assistance being provided to the Ministry. Relying primarily on housing investment guaranties, USAID believes that this sector should continue to receive U.S. support provided GOM policies continue to reflect increasing emphasis on housing the poor and to the degree which the GOM is able to implement its plans.

The GOM has specifically requested assistance during FY 1981 with its small bidonville and rural housing programs and has indicated informally that it intends to follow this with further requests for assistance in connection with another large upgrading project and in the mobilization of savings.

9. Proposed Assistance Planning Levels FY 1983-1987

The strategy recommended in this CDSS follows from our analysis of the Moroccan situation in its totality and in its key sectors. It is a strategy consistent with the views of Morocco's development problems shared by the International Monetary Fund, the World Bank and, to an increasing extent, the Moroccan Government itself. It emphasizes sectors which AID considers crucial and in which the Moroccan Government seriously wishes to make changes. It recommends a program evolving from the one

now in place, building on initiatives begun during the past year and directed to realistic, achievable goals.

In agriculture, expanded production-oriented assistance would be based on progress in dryland research and range management anticipated during the next few years and would be supported through modest loan-financed capital assistance in the out years. A forestry development initiative would impact on both environmental and energy conservation, long overdue for serious attack.

In health and nutrition, an expanded program would be built on a new GOM interest and effort in managing and planning their own resources more efficiently and would lead to more comprehensive, aggressive and effective public health delivery. The population program would be closely linked to health efforts as implementation and expansion proceeds on a broad front of ten family planning subprojects.

During the period FY 1983-1987, agriculture, health and population would constitute 83 percent of our program.

Education and human resources activities would continue the current program at about its present level, oriented heavily toward skills training for women.

We would continue to address problems of housing with modest advice on policy and innovative approaches to urban development supplemented by housing investment guaranties.

Assistance in energy would expand to help build a basic Moroccan institutional capability for planning and management of both renewable

and conventional energy resources and to extend this into the most critical areas, possibly supplemented by modest capital assistance for expanding upon initial pilot projects.

The program, proposed to reach \$40.1 million by FY 1987, is smaller than it would seem. The \$25.9 million level proposed for FY 1983 is to a large extent the result of the claims of ongoing projects unmet in prior years. New projects that year other than a \$4 million extension of family planning would amount to only \$3 million. During the FY 1983-1987 period, allowing for a 10 percent annual factor of inflation, the proposed program increases at less than 2 percent per year in real terms. As noted in Section 3, PL 480 Title I would be straightlined, declining in real terms, while Title II, linked increasingly to nutrition objectives, would increase slightly.

10. Staffing

Staff requirements will undergo not so much an expansion as a reorientation. Project implementation requirements - notably in human resources and commodity procurement - have obliged us to increase Foreign National staffing in each of these areas, although we have so far managed to stay within the currently authorized ceiling. Food For Peace activities, now part of the Population, Health and Nutrition Office, are already being handled largely by a senior local employee.

Beginning in FY 1981, a general development officer with multi-sector responsibilities will be added to the staff to manage our growing energy portfolio and other selected activities. We propose to add an

agronomist to the Agriculture Office in FY 1982 to help manage our expanding activities in this area. An FSR executive assistant will be added to the Director's Office in FY 1982 to handle the increasing volume of administrative and housekeeping matters which come with implementing a larger portfolio. With the departure of the Program Officer in mid-FY 1981, the position will be eliminated and its responsibilities divided between the Assistant Director and the Assistant Program Officer.

These shifts in staffing profile can be accomplished with an increase of two U.S. and no Foreign National direct hire positions (increased by one in FY 1980) beginning in FY 1982 to bring the total complement to 18 U.S. and 22 Foreign National direct hire positions.

PROPOSED ASSISTANCE PLANNING LEVELS (PAPLs)

Fiscal Years

(In Thousands of Dollars)

| Categories | 1983 | 1984 | 1985 | 1986 | 1987 | Total |
|--|--------|--------|--------|--------|--------|---------|
| AGRICULTURE AND RURAL DEVELOPMENT | 10,895 | 18,440 | 16,770 | 13,970 | 15,000 | 75,075 |
| HEALTH AND NUTRITION | 5,575 | 6,200 | 8,300 | 12,800 | 13,500 | 46,375 |
| POPULATION | 4,000 | 4,500 | 4,600 | 4,700 | 4,800 | 22,600 |
| EDUCATION AND HUMAN RESOURCES | 4,960 | 5,000 | 5,000 | 5,000 | 5,000 | 24,960 |
| SELECTED DEVELOPMENT ACTIVITIES | 500 | 1,000 | 1,600 | 1,200 | 1,800 | 6,100 |
| Of which Science and Technology (including Energy) | | 1,000 | 1,100 | 1,200 | 1,300 | 4,600 |
| TOTAL AID | 25,930 | 35,140 | 36,270 | 37,670 | 40,100 | 175,110 |
| Approved Projects | 18,830 | 10,540 | 7,070 | 5,870 | 1,900 | 44,210 |
| PL 480 | 27,000 | 28,000 | 29,000 | 30,000 | 31,000 | 145,000 |
| Title I | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 50,000 |
| Title II | 17,000 | 18,000 | 19,000 | 20,000 | 21,000 | 95,000 |
| Housing Investment Guaranties | | 25,000 | | 25,000 | | 50,000 |

Project Funding Projections FY 1981-1987

(COSTS IN THOUSANDS OF DOLLARS)

| Project Title & No. | L/G | Period of Funding | LOP Cost | Oblig. Thru FY 80 | (COSTS IN THOUSANDS OF DOLLARS) | | | | | | | | | | | | |
|---|-----|-------------------|----------|-------------------|---------------------------------|-------|--------|--------|--------|--------|--------|--|--|--|--|--|--|
| | | | | | 81 | 82 | 83 | 84 | 85 | 86 | 87 | | | | | | |
| Agriculture | | | | | 3,600 | 8,823 | 10,895 | 18,442 | 16,770 | 13,970 | 15,000 | | | | | | |
| Agriculture Research and Training - 0122 | G | 75-77 | 312 | 312 | | | | | | | | | | | | | |
| Doukkala Irrigation - 0127 | L | 76 | 13,000 | 13,000 | | | | | | | | | | | | | |
| Dryland Agriculture Applied Research - 0136 | G | 78-84 | 4,500 | 2,378 | | 1,000 | 600 | 522 | | | | | | | | | |
| Range Management Improvement - 0145 | G | 80-84 | 5,100 | 800 | 700 | 900 | 1,200 | 1,200 | | | | | | | | | |
| CIDDERA Rural Grant (OPG)-0158 | G | 79 | 118 | 118 | | | | | | | | | | | | | |
| Renewable Energy Development-0159 | G | 80-83 | 5,000 | 600 | 1,500 | 1,500 | 1,400 | | | | | | | | | | |
| Agronomic Institute - 0160 | G | 80-84 | 9,700 | 1,800 | 1,400 | 1,650 | 2,600 | 2,550 | | | | | | | | | |
| Agromechanical Skills Training - 0163 | G | 82-86 | 6,200 | | | 2,000 | 1,200 | 1,000 | 1,000 | 1,000 | | | | | | | |
| Integrated Forestry Development - 0165 | G | 82-86 | 6,278 | | | 1,773 | 1,895 | 970 | 870 | 770 | | | | | | | |
| Approved projects-Total | | | | | 3,600 | 8,823 | 8,895 | 6,242 | 1,870 | 1,770 | | | | | | | |
| New projects - Total | | | | | | | 2,000 | 12,200 | 14,900 | 12,200 | 15,000 | | | | | | |
| Dryland Cereal Production - 0170 | G | 83-87 | 10,800 | | | | 2,000 | 2,200 | 2,400 | 2,200 | 2,000 | | | | | | |
| Doukkala Agriculture Perimeter 0173 | L | 84 | | | | | | 10,000 | | | | | | | | | |
| Grain Storage Loan - 0177 | L | 85 | | | | | | | 10,000 | | | | | | | | |
| Other New Projects | | | | | | | | | 2,500 | 10,000 | 13,000 | | | | | | |

| Project Title & No. | L/G | Period of Funding | IOP Cost | Obligations Through FY 1980 | FY 81 | FY 82 | 83 | 84 | 85 | 86 | 87 |
|--|-----|-------------------|----------|-----------------------------|-------|-------|-------|-------|-------|--------|--------|
| Health and Nutrition | | | | | 925 | 3,100 | 5,575 | 6,200 | 8,300 | 12,800 | 13,500 |
| Health Delivery Management 0151 | G | 81-83 | 3,100 | | 925 | 1,100 | 1,075 | | | | |
| Drugar Water Systems - 0167 | G | 82-86 | 7,000 | | | 1,000 | 2,500 | 1,000 | 1,500 | 1,000 | |
| Nutrition Development+ - 0168 | G | 82-86 | 9,000 | | | 1,000 | 2,000 | 2,200 | 2,000 | 1,800 | |
| + Phase I USAID \$ 1.5 million | | | | | | | | | | | |
| FY 82-83 OPG | | | | | | | | | | | |
| Phase II USAID | | | | | | | | | | | |
| FY 84-86 OPG | | | | | | | | | | | |
| Total \$ 9.0 million | | | | | | | | | | | |
| Approved Projects Total | | | | | 925 | 3,100 | 5,575 | 3,200 | 3,500 | 2,800 | |
| New Projects Total | | | | | | | | 3,000 | 4,800 | 10,000 | 13,500 |
| Health Delivery Systems Improvement -New - 0174 | G | 84-87 | 6,300 | | | | | 1,000 | 1,800 | 2,000 | 1,500 |
| Rural Family Health Care Other new projects 0175 | G | 84-87 | | | | | | 2,000 | 3,000 | 3,000 | 5,000 |
| Population Planning | | | | | 2,550 | 4,000 | 4,000 | 4,500 | 4,600 | 4,700 | 4,800 |
| Family Planning Support II - 0155 | G | 78-82 | 13,000 | 5,449 | 2,550 | 4,000 | | | | | |
| New projects | | | | | | | | | | | |
| Family Planning Support III 0171 | G | 83-87 | 19,000 | | | | 4,000 | 4,500 | 4,600 | 4,700 | 4,800 |

| PROJECT TITLE & No. <u>Education & Human Resources</u> | L/G | Period of Funding | LOP Cost | Obligations through FY 1980 | FY 81 through 87 | | | | | | |
|---|-----|--------------------|----------|-----------------------------|------------------|-------|-------|-------|-------|-------|-------|
| | | | | | 81 | 82 | 83 | 84 | 85 | 86 | 87 |
| Non-Formal Education for Women - 0139 | G | 78-83 | 4,335 | 2,291 | 3,100 | 3,773 | 4,959 | 5,000 | 5,000 | 5,000 | 5,000 |
| Industrial & Commercial Job Training for Women - 0147 | G | 78-82 | 3,735 | 2,400 | 600 | 735 | | | | | |
| Development Training and Management Improvement - 0149 | G | 78-87 ^A | 10,497 | 2,747 | 1,000 | 750 | 1,000 | 1,100 | 1,200 | 1,300 | 1,400 |
| Social & Economic Research - 0154 | G | 79 | 450 | 450 | | | | | | | |
| Social Services Training - 0157 | G | 80-83 | 4,100 | 1,200 | 800 | 950 | 1,150 | | | | |
| Statistical Services -0162 | G | 80-82 | 1,200 | 500 | 500 | 200 | | | | | |
| Moroccan Women's Union (OPC for the Overseas Education Fund) - 0166 | G | 81-83 | 1,000 | | 200 | 400 | 400 | | | | |
| APPROVED PROJECTS, TOTAL | | | | | 3,100 | 3,773 | 3,859 | 1,100 | 1,200 | 1,300 | 1,400 |
| NEW PROJECTS, TOTAL | | | | | | | 1,100 | 3,900 | 3,800 | 3,700 | 3,600 |
| Technical Training ^{AA} 0172 | G | 83-87 | 16,100 | | | | 1,100 | 3,900 | 3,800 | 3,700 | 3,600 |

^A - Includes proposed extension FY 82-87

^{AA} - Includes extension of Non-Formal Education for Women (0139) - 84/87 - and Commercial Job Training for Women (0147) - 83/87.

| Project Title & No. | Period of I/G Funding | LOP Cost | Obligations Through FY 1980 | FY 81 - 87 | | | | | | |
|---|-----------------------|----------|-----------------------------|------------|--------|--------|--------|--------|--------|--------|
| | | | | FY 81 | 82 | 83 | 84 | 85 | 86 | 87 |
| Selected Development Activities | G 80-87 | 2,300 | 600 | 100 | 100 | 500 | 1,000 | 1,600 | 1,200 | 1,800 |
| | | | | 100 | 100 | 500 | 1,000 | 500 | | 500 |
| Low Cost Housing Development 0156 | G 80-87 | 2,300 | 600 | 100 | 100 | 500 | 1,000 | 1,600 | 1,200 | 1,800 |
| New Project Science & Technology Development (including renewable energy, energy management, selected technology transfer, etc.) - 0176 | G 84-88 | 6,000 | | 10,275 | 19,796 | 25,929 | 35,142 | 36,270 | 37,670 | 40,100 |
| | | | | 10,275 | 19,796 | 25,929 | 35,142 | 36,270 | 37,670 | 40,100 |
| TOTAL AID | | | | 10,275 | 19,796 | 25,929 | 35,142 | 36,270 | 37,670 | 40,100 |
| Approved projects New Projects | | | | 10,275 | 19,796 | 18,829 | 10,542 | 7,070 | 5,870 | 1,900 |
| | | | | | | 7,100 | 24,600 | 29,200 | 31,800 | 58,200 |
| FYI: Approved Assistance Planning Level (APL) per State 151916 of 5/20/80 | | | | | 12,000 | 14,000 | 16,000 | 18,000 | 20,000 | 20,000 |
| PL 480 Total | | | 14,616 | 21,000 | 26,031 | 27,000 | 28,000 | 29,000 | 30,000 | 31,000 |
| Title I | | | 6,500 | 7,800 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Title II | | | 8,116 | 13,200 | 16,031 | 17,000 | 18,000 | 19,000 | 20,000 | 21,000 |
| Housing Investment Guaranties 0153, 0169 | | | 25,000 | 30,000 | 25,000 | | 25,000 | | 25,000 | |