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NESA/CD, Mr. Selig Taubenblatt February 13, 1975

PPC/DPRE, Arthur M. Handly

Cable on the Triffa/Dukkala Irrigation Projects

PPC is not prepared to clear the proposed cable in its current form. We believe it should note the serious difficult issues raised by the projects and reflect the substantial analysis which must be performed prior to proceeding with the two irrigation projects. Moreover, the scope of work for the consultant team you plan to send to Morocco should include the requirement to respond to the concerns noted in this memo as well as the other matters raised in the project review meeting and papers (e.g., marketing system, transfer of technology, O and M, farmer participation in irrigation management associations, etc.).

As you know, we seriously doubt that you will be able to satisfactorily resolve all the issues involved prior to the end of this fiscal year. We urge you to try, however, but we think the Bureau, Mission and GOM should be aware of the uncertainties involved. This is particularly true in the case of the Dukkala project where very little information has yet been received or reviewed here. (While I understand the land distribution pattern may be more attractive there, I also gather there may be more severe technical and economic problems.)

1. General. Irrigation and land settlement projects similar to Triffa and Dukkala are difficult, require substantial analysis and are generally very expensive. While such projects can be effective and successful, they raise sensitive social and political issues, often provide greater benefits to larger, richer land owners than to smaller farmers, and frequently have unfavorable cost-benefit ratios. It is, therefore, particularly important that considerable analysis be completed prior to commitment of the Agency's resources to such projects. Our emphasis on assuring that AID's resources be directed toward the small farmer further emphasizes the need for care in this regard.

2. Social and Political. Almost 50% of the current land owners in the Triffa project area own less than three hectares. According to the incoming cable they "have built homes on their mini plots or have citrus orchards in full production. Few expressed interest in relocating." The Moroccan strategy concerning these

land owners is to either exclude them from the project, or to relocate them on larger plots. Dr. Neptune reports that many of them are part-time farmers who work in a nearby urban community and do not consider themselves farmers, and therefore would probably prefer to be excluded. If the mini land owners do not want to be excluded, but also do not want to relocate, serious conflict might ensue with difficult political implications for the Moroccan government and any involved donor.

3. Beneficiaries. This issue was the subject of a NESA talking paper as well as a memorandum of the Deputy Administrator; we think there may be a possible misunderstanding which should be clarified. The Deputy Administrator's memorandum of January 7, 1975, referred to the distribution of the 4,000 hectares owned by the Government and suggested a direct relationship between these 4,000 hectares and the total project area of 6,200 hectares. In fact, as the talking paper points out, only 1,450 hectares of the 4,000 are actually in the project area. I would like Murphy to be aware of this before proceeding, as this skews the impact on small farmers substantially less than what may be the understanding of the Administrator and Deputy.

4. Equity. It is extremely difficult to determine precisely how "equitable" a project must be before we should support it. In this project, we could simply consider the charges paid for benefits and assume that those receiving greater benefits should pay higher charges. This may not be sufficient, however, to actually encourage an equitable distribution of project benefits. The Deputy Administrator's memorandum indicated that "agreement be reached on progressively higher charges for the larger plots of land." The charges are progressive in that land owners of plots of 5 hectares or less are not required to contribute to financing the cost of irrigation works whereas 1,500 Dirham per hectare is charged to those land owners in the 6 to 20 hectare class. There is no requirement that these larger owners pay for the first 5 hectares. Those who own over 20 hectares must contribute 1,500 Dh for each hectare owned.

There is an important element that must be considered in addition to this fee schedule. The project cost may be as high as 7,000 Dh per hectare; this means that one 5-hectare owner will receive a grant subsidy of 7,000 per hectare or 35,000 Dh. A 20 hectare owner would receive a grant subsidy of 7,000 per hectare on the first 5 hectares and 5,500 on the remaining 15 or a total grant subsidy of 117,500 Dh. The grant subsidy for a 25 hectare owner is 137,000 Dh. Thus from this stand point the larger land owners actually receive a much greater benefit than the smaller land owners. We believe more should be done to adjust fees and other devices to distribute the benefits more equitably.

5. Economics. It should be noted that there are approximately 1,250 farmers who would be directly impacted by this project with an AID investment of $8 million. The total project is estimated to cost $18.6 million or$15,669 per land owner impacted with AID's contribution being $6,739 per land owner. We believe this is an extremely high cost per farmer impacted.

Preliminary data suggests that there is a serious question as to the economic feasibility of the project. A 5 to 8 hectare plot is projected to result in an annual income of $925 against the project investment costs of $15,000 to $20,000. These costs, of course, do not include operational expenses.

cc: Mr. Murphy
Mr. Shakow
Mr. Griffel
Mr. Odell

PPC/DPRE:Shakow/Handly:imb:2/14/75