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INFORMATION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: EXSEC
FROM: AA/PPC, Philip Birnbaum
SUBJECT: Triffa Irrigation Project

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Info: Murphy
(folder)

There are several important issues in the Triffa project proposal which need your review.

NESA has organized a team to visit Morocco to do further study and analysis of the Triffa and Dukkala projects but has delayed dispatching the team until these fundamental issues can be resolved.

The issues are summarized below:

Cost: The Triffa irrigation scheme will include up to 1,112 land owners in an area of approximately 7,700 hectares. The total cost approximates \$18 million with AID's contribution projected at \$8 million. The per land owner cost is about \$16,000 and the per hectare cost \$2,400. PPC believes this to be an extremely high cost per beneficiary which is not replicable for a country with the income and resources of Morocco.

Equity: 25% of the land owners have approximately 50% of the land in holdings of over five hectares. While it is arguable as to what percent of the land should be held by small farmers, we believe this is too heavily weighted towards large farmers, especially given the following distribution of net benefits. As the benefits are directly related to the land, the larger the land holder the larger the benefit. In order to somewhat counter-balance this effect the Moroccan Government charges \$350 per hectare as a land improvement charge to those land owners with more than five hectares. While commendable, this still leaves the benefits highly skewed in favor of the large land owner. For purposes of simplicity, assume a \$3,000 increase per hectare in land value. The land owner who had five hectares would receive a net benefit of \$15,000; with 15 hectares, \$41,500.

PPC believes that this distribution of benefits is incompatible with the emphasis of the Congressional Mandate.

NESA believes these two issues are not subject to negotiation with Morocco as the pattern of land holdings and benefits and charges are part of Moroccan Law.

Note: The above information is based upon preliminary data and is subject to some adjustment in terms of numbers of families that would be involved in the scheme and the specific land that would be included. However, we believe the adjustments would not significantly affect the number and distribution of beneficiaries or the cost and benefits.

The overall economic feasibility of the project is yet to be determined and in making this determination the Bureau will follow the Agency practice and requirements as reflected in Section 611(b) of the Foreign Assistance Act. The project will not be pursued if such an analysis reveals that the benefits do not exceed the costs.

NESA does not want to proceed with such an analysis if the determination on the beneficiaries and equity issues is that the Agency should not proceed.

There are other issues relating to the Agency's total program level in Morocco which have a bearing on these projects, and should also be reviewed with you at the earliest convenient time.

cc: AA/NESA, RNooter

[Handwritten signature and date]
12/17/70