

USAID/Morocco

Annual Report

FY 2004

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Morocco

Performance:

Background: Morocco is a middle-income country with the human and social development levels of a low-income country. Per capita income is nearly \$1,200, while social indicators rank among the lowest in the region. Approximately 48 percent of adults aged 15 and above were illiterate in 2000, placing Morocco at 20th among the 22 Arab League countries (surpassing only Mauritania and Yemen). Women are particularly affected, with female illiteracy rate at 62 percent.

Overarching U.S. foreign policy interests in Morocco include promoting regional stability, economic development, democratic values, and combating international terrorism. The successful negotiation, conclusion, and implementation of a free trade agreement (FTA) between the United States and Morocco, offers an opportunity to bring about major economic reforms and restructuring that will attract investment, trade, and job creation. The U.S. will also promote broader economic development, basic education, and democratization. President Bush's specific references to Morocco, in his May 9, 2003 speech, underscore the importance the USG places on these initiatives for Morocco.

Donor Relations: General trends in official development assistance (ODA) show decreasing levels since the early nineties. After a peak at about \$1.2 billion in 1992, net ODA disbursements decreased progressively to approximately \$336 million in 2002. With disbursements of about \$302 million over the 2000-2002 period, France maintained a leading position, far ahead of Germany (\$65 million), Spain (\$38 million) and the U.S. (\$33 million). Bilateral donor assistance focuses on infrastructure development, distribution and management of water resources, and workforce training. Other investment and development banks' portfolios support mostly large infrastructure projects including road networks, potable water supply, irrigated agriculture and electrification. Loans provided by the European Union (the largest multilateral donor over the 2000-2002 period) and the World Bank are dominated by large policy reform programs in multiple sectors, including public administration, housing, water and sanitation, transportation, health, education, financial and judicial sectors. The multilateral donors also provide resources for developing the private sector and strengthening the workforce.

Challenges: Despite macroeconomic stability, previous Moroccan governments failed to meet the hopes of the greater population striving for better living conditions. The creation of jobs has not kept pace with rapid growth in the labor force. Despite some improvement since 2001, nearly 20 percent of the urban labor force was unemployed in 2002. As a result, progress made in the early nineties in poverty alleviation was lost and about 19 percent of the total population fall under the absolute poverty line (about one dollar per day), with two-thirds being located in rural areas (3.5 million, or more than ten percent of the population). Moreover, about 55 percent of the rural population and 33 percent of the urban population were considered "economically vulnerable" in 2003.

Rural poverty is the result of adverse climatic conditions, primarily an increase in the frequency of droughts over the past 35 years. But rural poverty is further aggravated by government policies that prevent rapid modernization of the rural economy, diversification out of cereal production, and efficient use of scarce water resources.

In 2003, the appointment of a new government headed by a business-oriented, non-partisan prime minister, accelerated the economic reform agenda. Under the new government adoption of long-standing reforms, such as the labor code and the insurance code, have begun.

On the political side, Morocco is being transformed from a highly centralized government to one that promotes democratization, local participation and de-concentration. King Mohammed VI and his advisors

recognize the clear message arising from the recent elections: political reforms must be accelerated and deepened. Morocco requires a more flexible, competitive, and transparent political order that creates tangible improvements in people's lives, and does not provide an opportunity for extremists to destabilize the country. The September 2003 municipal elections, coming one year after the first fair and transparent elections of parliament representatives, confirmed the engagement of the government in the democratization process. Moreover, Morocco is on the brink of a major change in men-women relations with the coming promulgation of a new family code --moudawana, which will put Morocco in the vanguard of Arab countries in terms of women's legal rights.

Key Achievements:

1. Increased opportunities for domestic and regional trade and investment:

Progress was achieved in all areas of economic growth activities, i.e., policy and legal reforms, increased access to financial services and improved performance of key business associations, sectors and enterprises. Major achievements include the following:

- USAID-developed business registration system helped improve the efficiency of the pilot Regional Investment Centers (RIC) in Agadir, reducing the time necessary to register a business from several weeks to less than one day; this system will be adopted by other RICs that have now been opened in 20 locations around the country.
- Activities with the commercial court of Agadir continue to report improvements in the time required to complete a case from 227 days in 2001, to 144 days in 2002, and 97 days in 2003.
- Finally, USAID-supported microfinance institution continued to expand their outstanding portfolio to about 210,000 loans, or \$50 million.

2. Integrated water resources management:

Important progress was made during this reporting period in the Souss-Massa Integrated Water Resources Management project (SIWM), in Water Protection Management (WPM) and the coastal zone initiative.

Under the SIWM activity, USAID provided institutional support to the River Basin Agency (RBA) by developing a comprehensive management plan which includes organizational, financial, accounting, and communications components. Pilot projects addressed pollution management and water data harmonization. The installation of telemetry and drip irrigation systems also continued. The small grants program was implemented which included a training component for the grant recipients. Ten NGOs were awarded grants, with eight of the awards already distributed.

A study tour to the U.S. on coastal zone management was organized in June for 12 participants, helping to improve the region's capacity to implement good practices and technologies in wastewater reuse, desalination and marine environment preservation models, which will positively and directly impact vital economic resources for the region (fishing, tourism and agriculture).

3. Key intervention to promote sustainability of population, health and nutrition programs:

USAID helped the Ministry of Health decentralize the management of health programs to the regional level by developing an organizational model in two pilot regions and by providing management training for financial and human resources and other support to improve their delivery of key health services. The outstanding performance of the regional pilot teams convinced the ministry and other donors to replicate USAID-developed model in the other regions.

USAID also worked on the regulatory environment to facilitate commercial sector participation in the delivery of family planning services. A legal and regulatory framework for the medical group practice was

developed, a continuing medical education in family medicine for private general practitioners was established, and quality assurance workshops were organized, resulting in the creation of peer review groups. In the field of micronutrients, USAID supported the Ministry of Health by laying the ground for a safe and sustainable fortification program including wheat flour with iron, folic acid and B vitamins; and table oil and milk with vitamins A and D.

On September 30, 2003, USAID/Morocco and the Ministry of Health formally marked, in a well-publicized and highly positive ceremony, the close-out of health activities and the end of a productive collaboration between USAID and the Ministry of Health spanning over a period of three decades. This collaboration is now presented as an example of a successful partnership conducted in respect of the country's choices and health policies, while capitalizing on technical approaches developed with USAID assistance.

4. Increased attainment of basic education among girls in selected rural provinces:

USAID successfully completed the second phase of its main activity, Morocco Education for Girls, on September 30, 2003. This final phase was dedicated to the national adoption and use of the USAID-developed training modules to increase the participation of rural girls (and boys) in basic education. The Ministry of National Education and Youth (MNEY) formally adopted 16 out of the 18 training modules that were developed during the life of the activity. The wider use of USAID's work affected numerous schools throughout the country with a total of 965,882 children (445,364 girls/520,518 boys). Furthermore, girls' enrollment in the sixth grade in all 33 rural pilot schools spread out over the eight selected provinces, increased from 16% in 1994 to 43% in FY 2003.

USAID's work has been cited as an example not only for its excellent content, but also for its training methodologies used in delivering the training and for its participatory approach in the design work. In response to the Minister's urgent request for ongoing support, USAID put a modest team in place, with additional core funds from EGAT/ED, to continue technical assistance through September 2004 (the end of current education activity), focused on additional school directors' training.

The highly successful "scholarships for success" program, managed by the Moroccan Girls' Educational Support Committee (CSSF) expanded considerably in FY 2003. Funding from the Middle East Partnership Initiative offered 100 additional rural girls an opportunity to attend middle school, while living in newly created girls' homes.

5. Increased capability and active participation of civil society in support of citizen rights:

For the most part, the Democracy and Governance Special Objective met planned targets for 2003.

- Support for the newly elected Parliament and the municipal elections were extremely successful and exceeded expectations in many areas. USAID intends to work closely with the newly elected local officials to ensure that this next step in democratization continues to be a success. At the national level, USAID followed up its parliamentary elections program with support to the newly elected parliament members.

- Also at the national level, USAID continues to work to promote good ethics, transparency and anti-corruption in government. The ethics activity aimed at institutionalizing public integrity, succeeded in aiding the government in drafting, publishing and implementing a code of ethics for government employees.

- USAID also supported democratization efforts in the area of decentralization and local democracy with a program that focused on disseminating best practices and lessons learned in the principles of good governance, participation, partnership, performance and transparency.

- USAID also worked to improve the living conditions of selected rural villages by working with the communities to improve partnerships between local government entities and local development associations. This collaborative effort supported by USAID enabled communities to develop and

implement projects in health, education, water and micro-enterprises.

- And finally under the legal literacy program, over 5,000 illiterate and semi-literate women were equipped with information about their legal rights. This activity became even more relevant after the King announced in October 2003 a major reform of the family code --mudawana, which will profoundly change gender relations in Moroccan families and place Morocco in the vanguard of Arab countries with regard to women's legal rights.

Gender: USAID activities address gender issues across the board. Examples of USAID activities that specifically include a focus on women are: increasing women's participation in politics and civil society; promoting women's legal advocacy; programs on maternal and child's health; increasing primary school retention for rural girls and involving mothers in rural Parent Teacher's Associations. In addition, USAID activities aim to increase women's roles as decision-makers in water management by analyzing their roles and suggesting ways to increase women's participation in this sector. USAID's microfinance activities also benefit a majority of women.

Trade Capacity Building: Throughout the negotiations process for the U.S.-Morocco Free Trade Agreement (FTA), USAID has worked in close coordination with the State Department, the U.S. Trade Representative, the Department of Commerce, and the Government of Morocco to ensure that Morocco's need for trade capacity building (TCB) are addressed. USAID, in conjunction with the Middle East Partnership Initiative, is currently implementing a wide range of TCB activities in Morocco, for a total funding of approximately \$3.0 million in FY 2003. These activities include commercial law and court modernization, investment reform, legal and regulatory assistance, support for the agricultural and agri-business sector, environmental assistance, business linkages program and non-agricultural income generating activities. TCB will remain a major focus of the USAID program in Morocco.

Country Close and Graduation:

N/A.

Results Framework

608-001 Reduced Fertility and Improved Health of Children Under 5 and Women of Child-Bearing Age

608-002 Improved Water Resources Management in the Agricultural, Urban and Industrial Sectors

608-005 Increased Opportunities for Domestic and Foreign Investment

SO Level Indicator(s):

Cumulative number of micro loans by USAID-assisted micro finance intermediaries.

Time needed to complete a case in pilot commercial court

Time needed to register a new business.

1 Improved legal, administrative, regulatory and policy environment for private sector development.

2 Strengthened capacity of selected institutions to foster private sector development.

608-006 Improved Water Resources Management in the Souss-Massa River Basin

SO Level Indicator(s):

Indicator 1: Number of critical enabling conditions achieved to improve water resources management in the Souss-Massa.

Number of critical enabling conditions achieved to improve water resources management in the Souss-Massa.

IR 6.1 Institutions and policies for water resources management improved.

IR 6.2 Best practices in water resources management developed and disseminated.

IR 6.3 Non-government participation in water resources management increased.

608-007 Key Interventions Promote Sustainability of Population, Health and Nutrition Programs in Morocco

SO Level Indicator(s):

7.0.3 Improved Policy environment supports sustainability of reproductive and child health services

IR 7.1 Effective decentralized management of primary health care services established on a pilot basis

IR7.2 Use of Private sector reproductive and child health (RCH) services increased

608-008 Increased Attainment of Basic Education among Girls in Selected Rural Provinces

SO Level Indicator(s):

Girls completion rate - grade 6

Girls enrollment ratio - grade 6

Number of the 18 SpO8-developed modules adopted by the MNE

8.1 Improved School Environment

8.1.1 Improved Teaching Skills

8.1.2 Increased village/commune Support for Girls Education

8.1.3 Improved Educational Management at the Provincial Level

608-009 Increased Capability and Active Participation of Civil Society in Support of Citizen Rights

SO Level Indicator(s):

Encourage legitimate electoral process

Improve national and local governance

Increase development of a politically active civil society

Strengthen rule of law and human rights

608-010 Making Communities Work

608-011 Increased Opportunities for Trade and Investment

608-012 Improved Education and Training for Employment

608-013 Improved Government Responsiveness to Citizens