

# Morocco 2007 Performance Report

## Operating Unit Performance Summary

In FY07, U.S. assistance continued to support Morocco's progress on its path to build a more democratic, responsive state that meets the needs of its citizens. Stability in this Arab nation, a long-time strategic ally of the U.S., is dependent upon the Government of Morocco's (GOM) ability to address the challenges of a youthful population that lacks jobs, quality education, and access to its government. Alleviating the conditions that lead to disaffection and terrorism is a high GOM priority and necessitates the participation of all Moroccans in the economic and political life of the country. An emphasis on youth participation and gender equity cross-cuts U.S. assistance to Morocco.

U.S. assistance contributed to the achievement of the parliamentary elections which were deemed free and fair by a USG-supported team of international observers. With USG assistance, several political parties invested heavily in setting up, for the first time ever, campaign teams dedicated to developing political platforms, campaign strategies and voter outreach.

Significant strides were also made in preparing Moroccan youth for a productive future. Drop-out rates in U.S.-assisted middle schools were considerably lower than national rates (4.4% compared to 6.6% national) thanks to the improved quality and relevance of education offered. Private sector engagement in workforce development increased through the formation of public-private partnerships, a critical step towards the establishment of a workforce with the right skills to attract investment. Difficulty establishing a common vision with the ministry of tourism on a vocational training program led to reallocation of workforce development resources to the agricultural sector.

U.S. assistance is leading to improvements in the business environment including increased capacity to enforce intellectual property rights and improved efficiency of the commercial court system. These achievements, coupled with Morocco's strengthened competitive position in U.S.-assisted agricultural products, will lead to increased trade and investment and thus, jobs.

This year marked 50 years of U.S. assistance to Morocco. USAID, the Public Affairs Section, and EUCOM invested their collective resources to publicize this occasion, increasing awareness of USG contributions to Morocco and reinforcing Morocco's status as an ally.

All Mission activities are in full compliance with their 22 CFR 216 determinations.

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## Program Area Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance

Good governance may be defined as the competent administration of public resources reflective of citizen priorities. Governance in Morocco has been characterized by a competent elite at the top levels of a centralized public administration, limited public resources to invest in public services and constrained, inadequate representation of citizen priorities by representative institutions. The Kingdom, however, is committed to an evolutionary path towards becoming a democratic, well-governed state meeting the needs

of its people.

USG assistance aims to support that commitment to better governance. In the public administration domain, FY07 financial support will expand and deepen administrative competence, especially in support of GOM initiatives for decentralization and devolution, enhancing the capacity of local government to deliver services that meet citizen needs. A key achievement in 2007 has been the establishment of a model code of conduct adopted by Casablanca, Morocco's largest city, for local public employees and elected officials. Establishing a platform for the expansion of financial resources available to local government through modern systems of public financing has been a notable result of USG support in FY07. Financial ratings of municipalities, conducted by international ratings firms according to recognized international standards, have set the stage for improved access to capital markets by Moroccan local governments. Improved management of public resources has been a focus of USG efforts, especially with respect to audit and oversight capacities. Guides and standards, developed under USG support and based on the U.S. "yellow book" model, are now in use by Morocco's public auditors. USG support has established a budget office in the Moroccan parliament to better assure citizen priorities are reflected in resource allocation.

Exogenous and internal constraints to effective representation of citizen interests and priorities through representative institutions remain a challenge. USG support in FY07 has successfully connected almost 300 civil society organizations to their elected representatives to present and advocate for their priority policy concerns. At the local level, USG efforts have been a catalyst for citizen groups addressing priority concerns with respect to housing needs and job creation. Work with political parties has improved the ability of parliamentary groups and caucuses to better represent their constituents.

### **Program Element Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.1 Legislative Function and Processes**

In working for improvements in legislative function and processes, the USG achieved several notable successes in FY07 that are contributing substantially to the evolution of representational democracy in Morocco. The investment that has been made in establishing political support for the interventions supported by the USG since our work in this area began in FY05 has begun to pay dividends in terms of achieved outcomes, especially crucial in the context of a new body being elected in September.

A key result this year was the establishment of a parliamentary budget office. Representative government is, in large measure, defined by popular indirect participation in decisions on the allocation of financial resources to address citizen priorities. A budget office now provides professional financial analysis to legislators (including gender-based budget analysis) better enabling them to meet their constitutional responsibilities. Among these is the responsibility for understanding the national budget and the fiscal impact of proposed legislation. Initially hosted by the upper house, the unit is available for the lower house upon the adoption of revised rules in the House of Representatives, a move expected to occur in FY08. Crucial for informed debate, the record of Parliament's plenary sessions is now available to citizens and legislators alike within 48 hours rather than 3 years. USG assistance was used to install a transcription system that allows parliament to publish the public record contemporaneously with parliamentary sessions. Legislative function and processes are dependent on the skills and capacities of elected officials to understand and engage in their representational responsibilities. The USG is working to connect citizens with their representatives. Of note in FY07 has been the success in bringing the interests of civil society organizations to parliament to express their priorities. A revised approach by the USG entailing grants and technical assistance allowed for a three-fold increase above the targeted number of civil society organizations engaged directly in advocacy with parliament. The approach has directly led to improved representational functions of the legislature and increased respect for both representative institutions. The shared commitment of the Moroccan parliament and the USG to the institutional development of the

legislature has been and continues to be a vital component of our success in this program element.

### **Program Element Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.3 Local Government and Decentralization**

Bringing public administration closer to the end user is a challenge in the highly centralized Moroccan system, but our partners continue to identify centralized responsibilities and authorities that can be devolved to lower levels in an effort to improve governance for the benefit of citizens. Moreover, as the proposed Moroccan solution to the Western Sahara problem is based on autonomy for the region, our work in this area gathers added importance and relevance. Morocco and the USG continue to work to identify commonalities of interests and approaches in making government more proximate to the governed and in promoting the importance of government responsiveness to citizen needs and concerns. USG assistance continues to be highly pertinent to our partners, especially the Ministry of Interior.

Results under this program element were in line with targets and expected outcomes, with slightly higher results reported in the number of individuals trained. Among the key results of USG assistance under this program element, however, particular mention needs to be made of the successful experience in promoting local government access to financial markets in order to respond to citizen priorities. USG assistance facilitated the first financial rating process of selected local governments in Morocco conducted by an international rating firm. This action, foreshadowing a move towards independent local government access to credit, represented a risk to the status quo and is a strong measure of GOM commitment towards achieving real change in the tools to be made available to local governments. This action has been followed up with a USG-facilitated initiative involving a public-private partnership aimed at mobilizing the highly liquid Moroccan capital markets to respond to local needs and expressed citizen priorities.

Awareness of the need for gender balance in local government services is a concern; gender integration is, therefore, a major concentration of USG assistance under this program element. Among the key impacts has been the establishment of process to develop a national strategy to promote women's participation in local affairs.

USG assistance is also helping improve the efficacy of local government services through the use of information technology. The USG has supported the development of a prototype system for budget management at the local level and has been supporting the establishment of a national portal for local government interests.

### **Program Element Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.4 Anti-Corruption Reforms**

USG assistance programs seek to promote a culture of personal accountability and to advance a public finance system designed to seek out and rectify problems of waste, fraud and abuse. These themes resonate with our partners in the Moroccan government at both the national and sub-national levels and are increasingly reflected in the development of a trained cadre of audit and oversight professionals in executive branch institutions, in the supreme audit institution which functions at the national and regional levels and, increasingly, in the private sector.

A key result under this program element, USG support has led to the creation of a "local governance pact." Now being adopted by policy in Casablanca, Morocco's largest metropolis with a local government serving over three million inhabitants, this pact provides for codes of conduct and ethical behavior for more than 20,000 middle and upper grade personnel and the several scores of elected officials. Other municipalities across Morocco are now actively beginning to replicate the effort.

USG technical assistance in audit and oversight has engendered considerable support within the Moroccan administration. A key product this year was the design and publication of audit guides and compendia of audit norms for to be used in the work of the Inspectorate General of Territorial Administration. These guides, all based on norms of the U.S. Government Accountability Office "Yellow Book" of government auditing standards, will underpin the effective execution of the public audit function throughout local government. Additional manuals have been produced with the College of Inspectors General of the Ministries, the professional association of senior executive branch auditors and inspectors.

USG work in public procurement reform has contributed to an evolving culture of ethical public service. Training of public procurement officials has directly led to USG assistance in the drafting of key regulatory decrees strengthening accountability and ethical practices in public procurement. In parliament, the USG has supported the development of a caucus against corruption and this year hosted a regional conference of parliamentarians against corruption. Although the Moroccan government has consistently scored positively for control of corruption under the "scorecard" issued by the Millennium Challenge Corporation, continuing vigilance against corrupt practices is a good governance imperative.

#### **Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.1 Legislative Function and Processes**

The significant over achievement of results under "Number of Civil Society Organizations receiving USG assisted training in advocacy" was due to a restructuring of the Parliament Support Project. With a project modification, activities aimed at promoting civil society engagement with parliament in the promotion of their priority policy concerns were expanded. A comprehensive program of training followed by technical assistance and small grants allowed USG assistance to have a broader impact than that which had been projected as a target. This same rationale explains the overachievement of the target number for "Number of USG assisted Civil Society Organizations that participate in legislative proceedings and/or engage in advocacy with national legislature."

#### **Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.3 Local Government and Decentralization**

The substantial surpassing of the target for "Number of Local Non-Governmental and Public Sector Associations Supported with USG Assistance" is due to the increased emphasis on developing public participation mechanisms in FY07 in the Local Government Project.

#### **Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.4 Anti-Corruption Reforms**

Women are underrepresented in the types of public administration positions that were targeted for training in FY07 thereby leading to the lower number actually reported. The target will remain the same in FY08 in order to qualify more women from lower ranks into professional development of higher grades and staff levels.

#### **Program Area Performance \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building**

The Moroccan electoral landscape is defined by a multi-party system reflecting a wide range of political interests. There is only a limited definition of party identity based on a vision and socio-economic policy orientation. Despite recent political reforms, political parties remain weak and have been unable to internally democratize. USG assistance works to tie these parties to an effective, relevant electoral process and to assure effective citizen representation in elected bodies.

The commitment of the king to support greater relevance of electoral processes has been established. For the first time in Moroccan history, the timing of a change of government has been directly tied to the seating of a new parliament. The king kept to his pledge to tie the leadership of the new government to the results of the election. The new prime minister is the first in Moroccan history to serve as a member of parliament while holding the job. Finally, in the formation of this new government, the king disallowed the nomination of any person who had run for parliament and lost, thereby adding a connection between elections and governance and creating a new, constitutionally relevant qualification for service in government. Although only 37% of registered voters cast their ballots, the authorities played a neutral role and did not interfere with the process. Moreover, the process needs to be seen as transitional as citizens must come to realize that participation in electoral processes now, for the first time, matters in Morocco.

USG assistance contributed to the achievement of the most relevant democratic exercise in Moroccan history. The elections were deemed free and fair by a USG-supported team of international observers, the first time any such team was permitted to observe a Moroccan election. In the run-up to the election, several political parties with USG assistance invested heavily in setting up, for the first time ever, campaign teams dedicated to developing political platforms, establishing campaign strategies and focusing on outreach to attract more voters. These teams focused on areas of strategic communications planning, message development, campaign platform refinement, and campaign management. USG assistance also helped parties define and promote economic policy platforms and citizens benefited from significant outreach by civil society groups concerned about political participation, with a major emphasis on reaching women and young people.

## **Program Element Performance \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building \ 2.3.2 Elections and Political Processes**

Although only 37% of the registered voters cast their ballots in the 2007 parliamentary elections, the authorities played a neutral role and did not interfere with the process. Given the importance of what this election represented in terms of Morocco's commitment to reform and democracy, international observers were authorized for the first in the electoral history of the country and the commitment of King Mohammed VI to expanding political space and supporting democratic political processes was reflected in the ground rules for the election and in the application of the election results. USG assistance helped assure an electoral process that was generally recognized as free, fair, credible and legitimate.

Resources were made available to several key civil society groups in order to promote broader political participation, especially among young people and women. Activities helped these elements of the Moroccan electorate understand the voting process, to create opportunities for citizens to engage parties and candidates in dialogues on policy issues, to promote the inclusion of traditionally unengaged population segments and build avenues for citizen interest to influence party platforms. Further work was undertaken to increase the capacity of Moroccan women to effectively stand in elections. As a result, more women than ever before were put forward as party candidates on local lists.

The low voter turnout points to the need for continuing work with political parties which, by and large, are only just beginning to undertake an organizational development process that will lead to more effective

representation of citizen policy concerns. USG assistance supported party actions in the areas of strategic communications, message development, platform refinement. The introduction of national campaign management teams gave parties—for the first time—a system of campaign management, adopted after the universal standard method of campaign organization. Through technical assistance, U.S. assistance partners worked closely with national campaign teams to develop and implement a communication plan which empowered parties with new outreach techniques, including information technology. Efforts also were made in reworking platform development to help parties create programs that are more simple, concise and clearly prioritize wedge issues with a special emphasis on economic issues and economic policy positions.

### **Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building \ 2.3.2 Elections and Political Processes**

There are no FY08 targets provided since there will be no elections in Morocco in FY08.

### **Program Area Performance \ 3 Investing in People \ 3.2 Education**

Morocco has a large population of uneducated and un(der)employed youth and currently 80% of rural women are illiterate (nearly 50% of all Moroccans). This situation is due to a lack of access to quality and relevant basic education, which lays the foundation for all the future learning of a nation's workforce. The Government of Morocco (GOM) is committed to improving its basic education system and achieving full capability of its schools to deliver quality education for all as part of the long-term goals to increase economic prosperity and maintain political stability. A specific area of focus is to improve the quality and relevance of literacy courses for adults (in particular women), and basic education (through grade 9). In FY07, 9600 women participated in USG-funded literacy programs with a less than 5% drop-out rate. The GOM is in the process of integrating the program into the official national literacy program. Target primary and middle schools reduced drop-out rates (4.4% compared to 6.6% national rate) and increased the percentage of students with portable and adaptable skills to apply in future academic and work environments. Training was carried out for 8775 teachers and school administrators on making lessons more relevant and integrating life skills and information technology into the curriculum. Support was provided to 674 parent-teacher associations. The scholarship program enabled 1500 girls to finish middle school and 48 NGOs to advocate for rural girls' education.

### **Program Element Performance \ 3 Investing in People \ 3.2 Education \ 3.2.1 Basic Education**

Basic Education is at the core of transformational diplomacy. Without universal quality relevant education, including the use of information technology and improved literacy, Morocco will not be able to successfully participate in the global economy. Morocco has made great strides in improving first grade access since its education reform agenda of 1999: first grade enrollment has increased to 90% and girls' primary school enrollment in rural areas has increased to 87%. In addition, adult literacy training programs have increased. However, much remains to be done to prevent early school drop-out and to ensure that students graduate with a useful skill set. Work in these areas is particularly important at the upper-primary and middle school levels (girls' middle school enrollment is only 66%), therefore the goal of the USG program is to ensure that students stay in school through the ninth grade and that they graduate with portable and adaptable skills. Involving primary grades serves to pull students up and promote continuation to middle school and beyond. With FY07 resources, the USG continued to support education reform working in target schools with over 215,000 primary and middle school students. Training was carried out by local education teams for 8775 teachers and administrators and support was provided to 674 PTAs. Over 100 non-target schools have asked

for or have begun to adopt USG-funded modules and the expectation is, based on the high demand from schools outside of the program to participate, that the approach will be adopted nation-wide.

### **Element Indicator Narrative \ 3 Investing in People \ 3.2 Education \ 3.2.1 Basic Education**

The 2008 target for number of learners enrolled in USG supported primary schools is a conservative estimate of a 33% increase in learners, resulting from a 40+% increase in numbers of schools impacted. The difference between 2007 numbers is that the targets were based on reporting by schools and the actual was end-of-year verified official totals. The GOM has requested USAID to scale up to 40+% more schools. This is reflected in most 2008 targets. There are no male adult learners because the program is literacy for women.

### **Program Area Performance \ 4 Economic Growth \ 4.2 Trade and Investment**

The present USAID/Morocco strategy (2004-2008) is designed to respond to the negotiation and entry into force of a Free Trade Agreement (FTA) between Morocco and the United States. The FTA includes requirements and expectations that Morocco will meet certain standards in terms of the trade and investment climate and offers new opportunities to Moroccan firms in the U.S. market through lower tariffs and other non-tariff advantages. The USG offered assistance to the Government of Morocco (GOM) in meeting its commitments and in profiting from the new opportunities. USAID undertook to provide technical assistance to the public and private sectors in Morocco so that both would benefit to the maximum extent possible from the FTA. Hence, assistance to the GOM has been provided to improve the quality and efficiency of its actions to enforce intellectual property rights (IPR). In FY 07 this included preparation of guides and training of judges. Work with the responsible regulatory agency has increased its transparency and accessibility, making it easier for international trading partners and potential investors to understand present regulations and standards and become aware of pending changes. Additionally, investors are provided a better opportunity to make their views known on the latter. The efficiency and transparency of the procedures required to make a new investment have been improved.

The capacity of the Moroccan private sector to take advantage of new opportunities in the U.S. market has been increased through U.S. assistance. New business linkages were formed and knowledge of the U.S. market and how to enter it has been increased. Unfortunately, the recent and steady decrease in the value of the dollar versus the Moroccan dirham has practically nullified the cost advantages offered by a lowering of tariffs. This has led many potential Moroccan exporters to continue to concentrate on the European market, affecting the results that can be expected from U.S. assistance in the near term. In the best of circumstances, it takes time to realize sales from new markets. U.S. assistance will continue to help those ready to export now, even if fewer in number, and will help prepare others to enter the market at a later date when exchange rates and other market conditions are more favorable to Moroccan exports to the U.S.

### **Program Element Performance \ 4 Economic Growth \ 4.2 Trade and Investment \ 4.2.1 Trade and Investment Enabling Environment**

Morocco scores poorly on most assessments of its business climate relative to other countries largely due to administrative inefficiency and lack of transparency. U.S. assistance supports Morocco's efforts to ease and reduce the cost of doing business. Efforts to date have led to the simplification of 28 procedures investors must follow to obtain a variety of permits and licenses. The additional 10 investment procedures targeted to be simplified in 2007 have been drafted and submitted to the National Committee of Investment Procedures

and are awaiting approval. The inability to meet this target is due to changes in the government which are beyond the project's control. To improve investor access to information, the program published an online investment procedures manual in French, English and Arabic ([www.manueldesprocedures.com](http://www.manueldesprocedures.com)). Since being put online in Arabic and English, traffic increased by 30% and by 80% between October 06 and October 07. The program also installed and tested an investment software application in two regional investment centers. It allows agencies involved in processing investors' applications to interact with each other in order to increase the speed and efficiency of investor services. Moreover, the program developed a voice server that allows people with a low level of literacy and those living in remote areas to access information on investment formalities via telephone.

The program conducted an assessment of Morocco's investment promotion strategy and published a high-profile report on investment trends in Morocco for the period of 2003-07, marking the first time this information has been available. The USAID-developed profile represents an objective investment promotion tool for Morocco. It was presented by the Prime Minister at an international conference on investment held last June in France. Thanks to credibility gained through its simplification efforts, the program serves today as coordinator among donors, national and local government, and private sector on business climate issues. USAID is able today to influence the national thinking on investment promotion.

To increase transparency in rule making, a requirement under the FTA, the program developed the specifications for a website for the Moroccan standards-setting body. The website will allow international companies to consult Moroccan standards, and interested parties to comment on new standards prior to their dissemination.

#### **Program Element Performance \ 4 Economic Growth \ 4.2 Trade and Investment \ 4.2.2 Trade and Investment Capacity**

The Morocco-U.S. Free Trade Agreement (FTA) created opportunities and advantageous conditions for Moroccan firms to export to the U.S. It has been a challenge, however, for Moroccan firms to compete successfully in the U.S. due to a number of limitations, namely, unfamiliarity with U.S. standards and regulations, limited market knowledge, and a more demanding market. USAID is providing technical assistance to allow Moroccan firms to take better advantage of the FTA and educate the industrial sector on the U.S. market demands, requirements, and standards. USG technical assistance supports firms in making direct business linkages, facilitated by marketing experts. In FY07, over 95 business linkages were made between U.S. and Moroccan companies. U.S. assistance led to the development of Export Action Plans for the U.S. market for all 66 participating firms, participation in trade shows, and partnership development with the U.S. Office of Textiles and Apparel in preparation of trade missions.

Targets for FY08 have been revised downward to reflect a reduction in the export assistance offered due to the conclusion of one implementer's program. A mid-term evaluation, which was undertaken in October 2007, affirmed the programmatic efficacy of keeping the number of firms static at 76 and intensifying the business to business support offered. It also commended the new approach of tailoring services in accordance to the degree of commitment demonstrated by the firms participating in the program.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.2 Trade and Investment \ 4.2.1 Trade and Investment Enabling Environment**

1) # of investment measures made consistent with international investment agreements as a result of USG  
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assistance: 10 procedures have been drafted and submitted to the government, and are awaiting approval. The inability to meet this target is due to circumstances beyond the USAID's control, namely changes in the government. 2) # of public and private sector standards-setting bodies that have adopted internationally accepted guidelines or standards setting as a result of USG assistance: when targets were set, Mission believed that the Moroccan standards setting body would be replaced by 2 private sector standards-setting bodies. It became clear during 2007 that a new body won't be created. 3) # of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-assisted organizations: the investment management software designed to facilitate the investment process was installed in 2 out of 3 Regional Investment Centers. Target was not met because the process is slower than desired. 4) # of Trade and Investment Environment diagnostics conducted: target was exceeded, as the program has done diagnostics in 2 categories: investment trends and regional business climate surveys including World Bank's Doing Business & WEFEO surveys and Regional Economic Profiles for 7 regions. The program will conduct mini surveys to assess business climate improvement in pilot regions.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.2 Trade and Investment \ 4.2.2 Trade and Investment Capacity**

Original FY08 targets included data estimates for two programs implemented under program element 4.2.2, Morocco Fast Track Trade (MFTT) and New Business Opportunities (NBO). MFTT's last year of activity was FY07. FY08 targets have been revised to reflect NBO's target results only. In addition, a decision has been made to concentrate on deepening assistance to existing clients, thus fewer additional clients for FY 08. The FY07 target for the indicator "Number of firms receiving USG assistance that obtain certification..." was set at 8 firms but the actual FY07 result is 4 firms which have obtained certification under the MFTT program. 4 more firms have received assistance under the NBO program but are pending review from the Worldwide Responsible Apparel Production certification program. These 4 firms will be reported under FY08. FY07 saw a significant decrease in the number of firms participating in the MFTT program as it was closing out in August 2007. The last few months were especially less active which explains the underperformance in the indicators "Number of participants in USG supported trade and investment capacity building trainings" and "Number of Trade and Investment capacity building diagnostics conducted", both of which are primarily composed of MFTT inputs.

#### **Program Area Performance \ 4 Economic Growth \ 4.3 Financial Sector**

Access to finance, especially for medium and small enterprises, is often an impediment to the creation and expansion of private enterprises. Morocco ranks very low in access to finance, one of the indicators used by the World Bank in its "Doing Business" survey. An important factor limiting access to finance within the formal financial sector in Morocco is insufficient information on the potential borrower. Liquidity is not a problem for banks in Morocco, and the commercial banks often proclaim their desire to lend to new and smaller clients. However, due to lack of information, many such potential clients are considered high risks. In an effort to lower the perception of risk and increase access to credit, USAID has sought to provide a better means for sharing information on potential borrowers. The program worked with the Central Bank to encourage the creation of a Credit Bureau and introduce best practices in this endeavor. The Central Bank has recently issued a request for proposals and awarded a contract to create such a Credit Bureau, based on technical assistance provided by the International Finance Corporation. Collateral also provides a means to obtain credit and is a principal source of such credit in Morocco. The program began to work to improve the current system of registering moveable property used as collateral, which would greatly expand the banks'

confidence in the registry and hence their willingness to make loans based on such collateral. However, it became apparent that a major obstacle to such an improved registry was the lack of a common identifier among a number of official registries affecting commercial entities, hindering the proper identification of such entities. Therefore, the program is now working with all the various Moroccan authorities responsible for providing identifiers to commercial entities in order to create one common identifier for a Moroccan enterprise that would allow cross-referencing all registries. Once the common identifier has been created, work to improve the moveable property registry can resume.

#### **Program Element Performance \ 4 Economic Growth \ 4.3 Financial Sector \ 4.3.2 Financial Services**

The Moroccan banking system is very liquid, but banks are reluctant to lend to small and medium enterprises (SMEs) because of high risk. Bank lending in Morocco is collateral-based. Banks lend to large businesses; the very small businesses' needs are served by microfinance, but SMEs, which represent 80% of total businesses in Morocco, lack access to finance. Morocco scores poorly on the the access-to-credit indicator of the World Bank's Doing Business methodology. USAID provides technical assistance towards easing access to finance to SMEs. Activities under this component were always conceived as investments in financial infrastructure, rather than any sort of direct intervention related to retail finance. Focus is on making information on creditors available to banks to inform their lending decisions. At the start, USAID conducted a legal framework assessment to set up a private credit reference bureau and convinced the Central Bank of the importance of delegating the management of credit information to a private entity. As a result, the Central Bank recently selected a private firm that will begin its operation next June. In addition, during 2007, the program developed a preliminary proposal which would allow Moroccan government agencies, including the tax authorities, the Central Bank, the courts, and the social security administration, access to a common business identifier (CBI). The program obtained buy-in from every institution involved. The CBI will keep count of businesses, help agencies and administrations to match their files, and facilitate rapid notification of business information in commercial court procedures. USAID was contacted by two newly appointed ministers offering to lobby at the prime minister level to activate the establishment of a CBI. The program also developed a proposal to put the commercial registry online and obtained approval in principle from the Ministry of Justice to put the commercial registry online in one pilot region. It is anticipated that a commercial registry central database will be established which will include information on collateral to be made available to banks.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.3 Financial Sector \ 4.3.2 Financial Services**

Number of material improvements in the infrastructure institutions that reduce market risks made this year with USG assistance: this year we planned on making material improvements to the commercial registry. The improvements became difficult to make without an agreement on a common business identifier (CBI) across government agencies. Ministries have been working to systemitize a CBI but have been unable to come to agreement on a CBI system as of 9/30/07. USAID just received clearance from the Ministry of Justice to put the commercial registry online and will be working to do this over the next year.

#### **Program Area Performance \ 4 Economic Growth \ 4.5 Agriculture**

Morocco needs to improve the ability of its agriculture, agribusiness, and related support industries to operate successfully, both at home and abroad. The USG is providing technical assistance through the Integrated Agriculture and Agribusiness (IAA) program to improve Morocco's agricultural enabling environment and strengthen the agricultural sector's productive capacity, with the objective of increasing

investment, sales, and jobs. This goal is especially urgent as Morocco seeks to capitalize on recent free-trade agreements in the face of increasing competition from international markets. U.S. assistance in improving ag policies and building capacity will help to move Morocco from the developing to transforming country category.

Under agricultural enabling environment, USAID is supporting multiple policy reforms, strengthening critical policy analysis skills, and providing support to public institutions. In FY 07, the USAID program exceeded its total training targets by 205% and exceeded its targets for number of policy reforms analyzed. Despite surpassing its training goals, the program reached only a quarter of the training targets for women. This continues to be a challenge for the program in a public sector that is dominated by a male workforce. Concrete achievements include: 7 policy reforms analyzed, 14 institutions/organizations undergoing assessments, and 614 people trained in agricultural enabling environment.

Under agricultural sector capacity, USAID is increasing Morocco's competitiveness by demonstrating key opportunities through pilot projects, providing critical training on best production and post-production practices and establishing direct market linkages to increase sales. In FY 07, USAID leveraged \$1.9 million in investments and facilitated \$1.4 million in sales for program-assisted farms and agribusinesses. USAID also exceeded training targets, increased hectares under improved technologies/management practices fourteen-fold and assisted nearly 600 rural households. USAID's FY 07 achievements in value-chain integration are best illustrated through the lamb-meat value chain. USAID has helped to transform the mentality of herders from marketing what they produce to producing for a specific market. Technical assistance introduced innovative lamb fattening techniques, facilitated direct sales and secured contracts between herders and domestic supermarkets.

#### **Program Element Performance \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.1 Agricultural Enabling Environment**

The potential for competitive agriculture in Morocco cannot be realized if the institutional environment and essential agricultural policies are not addressed for the development of competitive agricultural systems. U.S. assistance therefore works to analyze problems that impede the competitiveness of targeted value chains while pursuing activities that strengthen the formulation and analysis of agricultural policies in Morocco. By focusing program resources on laws, policy analysis tools, and institutional support, USAID has been providing a strong foundation for effecting change at both the policy level and the implementation level within Moroccan public-private institutions.

As part of its efforts to strengthen the institutional capacity of the Moroccan partners and enhance investment in the agricultural sector, USAID introduced a representative farm modeling tool which analyzes the impact of trade policy changes and development strategies at the farm level. More than 40 national and regional participants were trained on this computational tool which uses real data from USAID target value-chains and regions. As a result, beneficiaries are now using this technology to analyze proposed policy changes more comprehensively. In a similar vein, USAID trained 18 ministry officials on the use and application of cost/benefit analysis to assess the profitability rate of investments. This training focused on practical simulations of projects involving risk analysis—a skill that Ministry staff did not possess before. More than 75% of participants have incorporated these analytical skills directly into their daily work with current and newly designed projects such as the Millennium Challenge Corporation (MCC) compact.

USAID is also enhancing the public sector's ability to provide useful and timely price data to producers and agribusinesses through the introduction of market information systems which track domestic and

international agricultural trends. USAID, in partnership with the University of Nebraska, is working with the Moroccan government to strengthen its ability to respond to drought through an assessment of the National Drought Observatory. The recommendations of the study provide a roadmap for institutionalizing the Observatory and advocate for development of a national drought policy to protect sustainability of Morocco's economy and environment in general and investments in the agricultural sector such as MCC's.

#### **Program Element Performance \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.2 Agricultural Sector Productivity**

Through the Integrated Agriculture and Agribusiness program, the USG is making considerable progress in strengthening the capacity of Moroccan agriculture to respond to domestic and international market needs through the diversification and increased competitiveness of agriculture and livestock production. USAID is implementing pilot programs, training producers and processors in the application of best practices to improve efficiency and competitiveness, and developing direct market linkages to increase sales and capture added-value in target value chains.

The program has leveraged over \$1.9 million in investments for program-assisted farms and agribusiness and has tracked over \$1.4 million in sales of program assisted products. USAID has also invested in human capital to improve competitiveness by training target value-chains participants in critical skills such as: best farming practices (992), traceability/certification (228), cooperative management (149), and plant production/nursery management (120). USAID is fostering regional development by forging regional partnerships with a common goal. In the Oriental region of Morocco alone, USAID has built strong partnerships for the upgrade of the Oujda Slaughterhouse, the collection of wild-growing rosemary in Jerada, and created direct linkages between herders and Moroccan supermarkets in major cities. These partnerships have translated into increased regional investment, increased jobs, and increased sales.

In the lamb meat value chain for example, USAID has focused on helping herders improve the quality of their product and increase sales through innovative fattening techniques and direct linkages to buyers in major cities. In the berries value-chain, USAID is serving as a catalyst to jump-start Morocco's entry into the highly profitable fresh berry export market. USAID has facilitated the introduction of 11 new berry varieties (blueberry, raspberry, and blackberry) to test Morocco's production potential. Results to date from the berry trials show that Morocco's favorable production climate coupled with its proximity to the EU market is encouraging investment by both Moroccan producers and international agribusiness firms.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.1 Agricultural Enabling Environment**

FY 08 targets have been revised downward for number of women who have received USG supported short-term agricultural enabling environment training from 400 to 200. In FY 07 the target was 200 women and the project trained 48 women. The FY 08 target is still aggressive in that it calls for training figures to triple for women. For the overall indicator (both men and women) the project exceeded the FY 07 target of 300 by an additional 314 persons trained (614). The original targets of a 2/3 ratio to 1/3 ratio of women to men was unrealistic based on the # of women actually working in the sector. FY 08 target for number of institutions undergoing capacity/competency assessments has been revised downward from 30 to 15. Due to a reduction in the total contract value, the project will keep its attention focused on providing high quality assessments to the institutions we are currently working with. For FY 08 the target for number of policy reforms

presented for legislation/decreed as a result of USG has been revised downward from 3 to 2. The majority of IAA's focus is on building capacity through training and policy analysis tools. The program is contributing to critical policy studies which will form the basis for policy reforms to be submitted for legislation but the project is not the lead actor for submitting this legislation.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.2 Agricultural Sector Productivity**

For FY 08, the target for additional hectares under improved technologies or management practices has been revised upward from 3,000 to 7,200. In FY 07, contractor attained 7,108. For number of additional surveillance or control systems in place for agricultural threats, target is revised from 30 to 1. This is not a focus of the program. For FY 08, the number of agriculture -related firms benefiting directly from USG interventions has been revised from 50 to 30. The FY 07 target was 30 but contractor only attained 6. An increase from 6 to 50, given the budget reduction is unrealistic. For FY 08, the targets for number of rural households and vulnerable household benefiting directly from USG assistance have been revised downward from 2000 to 1500 and 1,000 to 700 respectively. While the program will continue to scale up its assistance to Moroccan households through training and business advice, the impact of a 25% reduction in total contract value will have implications on the project's ability to meet the original targets.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.3 Program Support (Agriculture)**

Through the Integrated Agriculture and Agribusiness program, USAID is assisting with the evaluation of the National Drought Observatory. Due to delays in the procurement process, the impact evaluation which will evaluate a completed water program will take place in early FY 2008. Inputs from this evaluation will inform strategic planning efforts.

#### **Program Area Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness**

Economic growth depends on the growth of the private sector, which in turn depends on a business climate that is favorable to the growth of private enterprises and their ability to conduct business without undue intervention on the part of the government. Morocco faces the dilemma of a young population that has grown rapidly and far outstripped the rate of growth of the economy. To create the jobs that will secure improved levels of economic well-being and provide the necessary stake in a prosperous and stable Morocco requires both a climate that fosters the creation and growth of enterprises and the availability of a skilled and trained workforce capable of meeting the demands of employers. USAID/Morocco contributes to meeting both of these demands through its programs. USAID contributes to improving Moroccan firms' competitiveness through assistance in ameliorating the business climate. This is achieved by improving the efficiency of the commercial courts through training, providing an alternative resolution to court settlement of commercial disputes through mediation, making improvements in the bankruptcy law, and helping Moroccan regional authorities better understand their areas of weakness and strength in factors affecting the business environment. Morocco's ability to generate a capable workforce is key to its economic competitiveness. Appropriately trained human resources enhance foreign business investment, which in turn promote broad-based growth. With this objective, several steps were taken in FY 07 to balance Moroccan skill supply and demand: partnerships were created between the agriculture private sectors and vocational training providers to jointly identify skills needs; job search and employment units within institutions were strengthened; recruitment personnel from the agricultural sector were trained; students and technicians were

trained in skills development for information and communication technology, entrepreneurship and workplace success. Targets were not met for the total number of persons participating in workforce development programs because of a decision to shift efforts out of the tourism sector following repeated inability to agree on focal areas with the Ministry of Tourism and subsequent advice given by the U.S. ambassador.

#### **Program Element Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.1 Business Enabling Environment**

Despite significant reforms already undertaken, Morocco still scores poorly on most assessments of its business climate relative to other countries. USAID has worked on improving the understanding of the importance of the regulatory framework and its impact on doing business. It conducted seven regional diagnostics, using the World Bank's Doing Business methodology, plus developed seven complementary "regional economic profiles" based on qualitative interviews. The results were then previewed in each of the seven regions, highlighting priorities for improvement in performance. In collaboration with local partners, three demonstration pilot activities to introduce improvements were designed. Due to credibility gained by the program through these efforts, several newly appointed ministers have offered to collaborate with the program and take ownership on some issues. Businesses in Morocco report that productivity is compromised by administrative inefficiency and that many transactions, whether business to business, business to government, or among government institutions, are lacking in transparency. Therefore, USAID works to create an environment of trust between stakeholders. To help Morocco comply with the FTA requirements and to increase the capacity and efficiency of the commercial dispute resolution systems, the program published a practical guide on trademark law and offered trainings on this topic in four cities for judges and lawyers and organized a study tour on the trademark opposition process in the U.S in collaboration with the U.S. Patent and Trademark Office for selected judges. There is now improved understanding among judges, lawyers and businesses of the trademark opposition process and the protection offered by the law. U.S. assistance led to proposed amendments to the Moroccan bankruptcy law and the engagement of the Ministries of Justice and of Industry and Commerce in the review and advocacy for these amendments. The program contributed comments to a new law passed on alternative dispute resolution and offered training in commercial mediation. As a result, two participants resolved an ongoing \$650,000 case thanks to the skills they learned.

#### **Program Element Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.3 Workforce Development**

Morocco's ability to generate a capable workforce is key to its economic competitiveness. Appropriately trained human resources enhance foreign business investment, which in turn promotes broad-based growth. Several steps are necessary to ensure a system that efficiently balances skill supply and demand, is sustainable and meets the short and long term economic needs of a country. In FY 07, these steps included: creating partnerships between the agriculture sectors and vocational training providers to jointly identify skills needs; developing training programs and training trainers in Morocco's competency based training methodology; strengthening job search and employment units within institutions; and training recruitment personnel from the agricultural sector. During FY 07, USAID worked with 15 agricultural vocational training institutions and relevant agricultural professionals preparing technicians (15 years and up) for employment in the sector. Skills development for information and communication technology, entrepreneurship and workplace success are integral parts of the program. During this year, a decision to shift efforts out of working in the tourism sector and concentrate activities in the agriculture sector was

made based on feasibility studies done, and an inability, after many efforts, to agree on focal areas with the Ministry of Tourism. The Ambassador supported this decision, but one impact was that targets set for FY 07 were not met for the total number of persons participating in workforce development programs. In the 15 agriculture institutions, 1634 people participated in the workforce development program. This included training directors, trainers and other staff on pedagogical and management matters, entrepreneurial spirit, and employability support. More workforce development initiatives were created than expected, however, through USG-assisted public-private partnerships, including one with Microsoft.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.1 Business Enabling Environment**

1) Number of alternative dispute resolution mechanisms put in place as a result of USG assistance: In 2007, we focused on mediation through support to the Rabat International Mediation Center. The program will continue to provide support in mediation and anticipates additional focus on arbitration in 2008. 2) Number of municipalities receiving USG assistance with regulatory/ administrative simplification in 2007: we completed the Doing Business survey (and presented related results and analysis) for 7 regions in Morocco: Oujda, Agadir, Meknes, Fez, Settat, Kenitra, Marrakech, and Tangier. The target was met in reality, however, the discrepancy comes from the fact that FY07 and FY08 targets were input in the OP system as 2006 baseline and FY07 targets. The program anticipates that best practices identified in surveyed regions will be disseminated in all other regions. The program will also make sure that improvements achieved in the pilot regions are replicated all over Morocco.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.3 Workforce Development**

Number of persons completing USG funded Workforce Development programs: FY actual is lower as GOM asked USAID to cease support to the tourism sector. Actual FY 2007 figure for the number of people gaining employment as a result in USG-funded workforce development programs is not yet available as data is tracked 6-9 months after graduation. Target figures may be revised depending on actual figures for 2007. Employability programs aim to improve the 50% insertion rate by at least 15% by the end of the project. All participants are expected to successfully complete the program.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.4 Program Support (Private Sector)**

Due to delays in the procurement process, the impact evaluation which will evaluate a completed business environment program will take place in early FY 2008. Inputs from this evaluation will inform strategic planning efforts.

#### **Key Issue Performance \ Local Organization Capacity Development**

USG assistance to local governments facilitated the first financial rating process in Morocco conducted by an international rating firm. This action, foreshadowing a move towards independent local government access to credit, represented a risk to the status quo and is a measure of GOM commitment to achieving real change in the tools available to local governments. USG assistance is helping improve the efficacy of local government services through the use of information technology. The USG has supported the development of a prototype system for budget management at the local level and has been supporting the establishment of

a national portal for local government interests. The USG is fostering regional economic growth by forging regional partnerships with a common goal. In the Oriental region of Morocco alone, USG funding has built strong partnerships for the upgrade of the Oujda slaughterhouse and for the collection of wild-growing rosemary in Jerada, and created direct linkages between herders and Moroccan supermarkets in major cities. These partnerships have translated into increased regional investment, increased jobs, and increased sales. In the field of education, alliances between training providers and professional sectors were strengthened through instructional and management-related assistance. Students are better linked to jobs by strengthening employment units in institutions.

### **Key Issue Performance \ Trade Capacity Building**

USG funding is making progress in strengthening the capacity of Moroccan agriculture to respond to international markets through diversification and increased competitiveness of agriculture and livestock production. Seminars and export guides to explain the requirements of the U.S. market in berries and olive value chains have helped Moroccan producers\ access international markets. To help Morocco comply with the U.S.-Morocco Free Trade Agreement (FTA) requirements and increase the efficiency of the commercial dispute resolution systems, the USG funded a practical guide on trademark law and offered trainings for judges and lawyers. The assistance program organized a study tour for judges on the trademark opposition process in the U.S. in collaboration with the USPTO. The USG has provided assistance to help Moroccan firms take better advantage of the FTA by educating them on U.S. market demands, requirements, and standards. In FY07, USG-funded marketing experts facilitated over 95 business linkages between U.S. and Moroccan companies.

### **Key Issue Performance \ Community Mobilization/Participation**

USG support in FY07 has connected almost 300 civil society organizations to their elected representatives to present and advocate for their policy concerns. USG efforts have been a catalyst for citizen groups addressing concerns with respect to housing needs and job creation. Grants and technical assistance have allowed for a three-fold increase in civil society organizations engaged directly in advocacy. Support was provided to 674 parent-teacher associations and 48 NGOs to advocate for rural girls\ education, advise school directors on management, plan after-school activities, raise funds, and participate in school evaluations. The Peace Corps small project assistance program enabled volunteers to initiate and carry out small-scale projects in collaboration with their community counterparts and local organizations to support sustainable activities, for example, working with a youth center to improve educational activities and leadership skills among the centers\ facilitators and mobilizing a community to better handle the waste management of a health clinic and small businesses. Nearly 200 community members were involved in these activities.

### **Key Issue Performance \ Public-Private Partnerships**

The USG supports public-private partnerships through 160 business-school partnerships supported by a national organization, Al Jisr (\the bridge\") which aims to involve the private sector in education to increase quality and prepare students to be better prepared for the job market. Two forums on school-business relations were organized. Also, the growing education-entrepreneurship group includes partners from the public and private sectors and the NGO community. Alliances between training providers and the private, professional sectors were strengthened through instructional and management-related assistance. Regional skill-identification networks and assistance in speciality areas (horticulture, topography, pesticides,

etc.) were set up in 6 agricultural vocational training institutions to provide more relevant training to students and better link them to jobs. Employment units at the institutions were also strengthened. The GDA E-Equality Project which partnered with Cisco to increase employment in the information technology field benefited nearly 2000 students, of which more than 80% either gained employment or went on to higher education. Additionally, the USG has facilitated an initiative involving a public-private partnership aimed at mobilizing the highly liquid Moroccan capital markets to respond to local needs and expressed citizen priorities.

### **Key Issue Performance \ Increasing gender equity**

The USG-funded education program for literacy is designed to provide women with information on their family code rights. 9,600 women received training: among the trainers and supervisors, 85% are women. Direct scholarships were provided to fund 650 disadvantaged rural girls' access to middle school. Academic support and psycho-social enrichment programs were provided to support rural girls living in dormitories across Morocco. Gender equity for Moroccan women in the information technologies (IT) sector was also advanced through a GDA which promotes women's employment in the IT field. Nearly 2000 (over 50% women) students benefited from this high level IT program, of which more than 80% either gained employment or went on to higher education. Gender integration is a major concentration of USG assistance in local government services. Among the impacts has been progress in developing a national strategy to promote women's participation in local affairs and work on increasing the capacity of Moroccan women to effectively stand for elections. As a result, more women than ever before were put forward as party candidates on local lists.

### **Key Issue Performance \ Development Research**

USG is using the World Bank's Doing Business country ranking as a tool to help Morocco improve its business climate by applying the methodology in regional surveys and sharing of best practices. Seven regional diagnostics were conducted, and seven complementary "regional economic profiles" were developed based on qualitative interviews. The results were then previewed in each of the seven regions, highlighting priorities for improvement in performance. USG-funded implementers, in collaboration with local partners, designed three demonstration pilot activities to introduce improvements. The USG has made recommendations privately, and publicly - via the publication of high-profile reports on Morocco's investment promotion strategy and on the business climate.

### **Key Issue Performance \ Food Security**

The Peace Corps Small Project Activity (SPA) worked with small village community-based women associations to develop new food and income sources for their families. For example, a Peace Corps Volunteer helped ten women and six men gain skills in beekeeping set-up, maintenance, and honey harvest through a series of trainings both in the village and in conjunction with other associations. Through responsibility for managing the hive honey production, both the ten women managers and men trained on maintenance, the trainees gained skills in how to manage their product and market it for sale. Another Volunteer worked with a women's goat cooperative to provide technical skills for making goat cheese, yogurt and buttermilk, and business skills, budgeting, marketing, sales and quality control. These skills will allow the women to continue making new products, increase their incomes and improve their families nutritional situation.

