Morocco
Country Assistance Strategy

December 12, 2008

Morocco Country Assistance Strategy

Table of Contents

I. Introduction
A. Country Context
B. Host Country Priorities and Political Commitment to Reform

II. Overall Strategic Approach and Priorities

A. U.S. Foreign Policy Goals
B. Strategic Vision and /or themes for USG foreign assistance.
C. U.S. Assistance Priority Goals
D. Donor Coordination

III. Priority Goal 1: Mitigate Drivers of Youth Disaffection and Marginalization

IV. Priority Goal 2: Reduce Poverty and Increase Economic Growth

V. Priority Goal 3: Improve Effectiveness of Democratic Governance

VI. Priority Goal 4: Reinforce Security and Stability

VII. Resource Assumptions

VIII. Appendix
A. Bibliography of Relevant Technical Analyses
B. Country Analysis Requirements

Acronym List

AQIM: Al Qaeda in the Lands of the Islamic Maghreb
CAS: Country Assistance Strategy
DOD: Department of Defense
DOJ: Department of Justice
DRL: Bureau of Democracy, Human Rights and Labor
ED: Education
EG: Economic Growth
FTA: Free Trade Agreement
GOM: Government of Morocco
GJD: Governing Justly and Democratically
IIP: Investing in People
INDH: National Initiative for Human Development
INL: Bureau of International Narcotics and Law Enforcement Affairs
ISN: Bureau of International Security and Non-Proliferation
MCA: Millennium Challenge Account
MCC: Millennium Challenge Corporation
MEPI: Middle East Partnership Initiative
MOE: Ministry of Education
OECD: Organization of Economic Co-operation and Development
OSC: Office of Security Cooperation
PTA: Parent Teacher Association
TSCTP: Trans-Saharan Counterterrorism Partnership
UN: United Nations
UNDP: United Nations Development Programme
USAID: United States Agency for International Development
USDA: United States Department of Agriculture
USDOC: United States Department of Commerce
USG: United States Government
USTDA: United States Trade and Development Agency

I. Introduction

A. Country Context

The Kingdom of Morocco continues to be a reform-oriented nation and a close United States partner. The country has instituted impressive reforms to liberalize trade relations with the U.S. and other countries, build much needed infrastructure, stabilize macroeconomic policy, improve education, and open the political system. These projects, and their successful implementation, suggest a strong desire for change under King Mohammed VI. However, serious obstacles still stand in the way of a developed and prosperous Morocco that addresses the needs of all its citizens.

The central, cross-sectoral, challenge facing Morocco today is youth disaffection and marginalization, particularly among young males. Issues of access to quality education, unemployment, and the lack of opportunities for political participation adversely affect youth in Morocco. While the primary completion rate is only 80%, a regional low, it reflects an increase of 17% from 2002 (UNESCO). The improvements in primary completion rates factor into a broader, positive, trend in education that started in 2003 and shows enrollment rates also up by 3% and improved access for girls to primary education. Unfortunately, the education trend is the exception rather than the rule. There are approximately 16 million Moroccans under the age of 25. Among urban youth between the age of 15 and 24, 33% are unemployed while rural youth in the same age range face only 5% unemployment. Economic inequality, coupled with political marginalization, lead these youth to view the national government with a mixture of skepticism, apathy and occasionally anger.

While the economy of Morocco has grown at a reasonable 4.8% for the last five years, the yearly growth is unable to effectively absorb new entrants to the work force. To promote growth, Morocco has developed its economic infrastructure and ratified the U.S.-Morocco Free Trade Agreement (FTA). However, there is need for further action. In particular, a recent analysis of government effectiveness conducted by the United States Agency for International Development (USAID) revealed that low agricultural productivity and burdensome commercial laws hinder economic growth. Morocco's business environment and private property laws require further attention according to the World Bank's Doing Business 2008, which ranked Morocco 129th out of 178 countries, a drop from 102nd two years earlier.

For the first time, following the last legislative elections in 2007, the King nominated the Prime Minister from within the party that received the largest number of seats in Parliament. This combined with the passage of the new family code (Moudawana - the Moroccan laws that pertain to personal and women's status, family, and inheritance in Morocco) represent significant reforms initiated by the King. However, the 2007 election, with its low voter turnout and intentionally spoiled ballots, highlighted the need for further reform. In particular, the Parliament and the court system require institutional reforms to address corruption. Corruption decreases the ability of governments to address important issues while also disenfranchising citizens. The Transparency International 2007 report placed Morocco 72nd (out of 177 countries). The World Bank captures the failure of the Moroccan institutions to involve its citizens in their Voice/Accountability report, ranking Morocco in the 29th percentile of countries (100th percentile being best). Morocco's political system also suffers from

weak non-constituent focused political parties – the reason most commonly cited for poor voter turn out in 2007.

From a security standpoint, Morocco is one of the U.S.'s oldest allies. Even before the 2003 terrorist attacks in Casablanca, the two governments benefited from a long standing partnership. Morocco plays a leadership role within the region and contributes to United Nations (UN) peacekeeping. Morocco has also established considerable capacity in the security sector to go after and disrupt terrorist cells. However, radicalized elements originating from Morocco continue to threaten the stability of this traditionally moderate Islamic kingdom. Additionally, outside terrorist organizations like Al-Qaeda in the Lands of the Islamic Maghreb (AQIM) are seeking inroads into Morocco for access to materials and recruits to export this threat to other countries, like Iraq.

B. Host Country Priorities and Political Commitment to Reform

In May 2005, King Mohammed VI announced the National Initiative for Human Development (INDH). The INDH is based on the Moroccan vision of consolidating democracy, structuring reforms around economic growth, and expanding human development on economic, social, and cultural dimensions, while using principles of good governance. This initiative outlines four key objectives: support revenue generating activities; improve access to basic social infrastructure such as health, education, water, and electricity; support social, cultural and sports activities; and strengthen local governance. Apart from the INDH, the Moroccan government continues to mount an aggressive counterterrorism campaign on multiple fronts, making it a valuable partner to the U.S. in the region.

The King's annual throne day speech included a commitment to reform the judiciary and Morocco has shown commitment to the reform and modernization of its security forces and the security sector. In strengthening local governance, improving living standards and emphasizing economic development, the U.S.-Moroccan partnership allows the United States Government (USG) to play a prominent role in supporting its Moroccan counterparts on Government of Morocco (GOM) efforts and commitment to reform through various programs. The strong relationship also allows the United States Government (USG) to help the GOM target and address the most pertinent political and economic issues.

II. Overall Strategic Approach and Priorities

A. U.S. Foreign Policy Goals

The central U.S. foreign policy objective in Morocco is to have a strong ally and partner in order to effectively address global challenges. The top three U.S. foreign policy goals stemming from this objective are countering terrorism, promoting economic growth, and promoting democratic reforms. The USG will continue to partner with Morocco to constructively pursue Middle East peace and regional integration and address other regional security challenges. Accelerated economic growth will reduce unemployment and poverty, which are both potential drivers of internal instability. The USG will continue its dynamic partnership with Morocco to improve the political process to increase citizen participation and government relevance and responsiveness to its citizens. Maintaining U.S.-Moroccan cooperation is another important foreign policy goal. The USG works to bolster this partnership through public outreach efforts of both USG and GOM activities and by maintaining a strong bilateral relationship.

B. Strategic Vision and /or Themes for U.S. Foreign Assistance

The ultimate vision of U.S. foreign assistance is a stable, well-governed, democratic, and prosperous Morocco meeting the needs of its people, especially its youth. Our approach addresses the most vital terrorist threats by engaging those most at-risk of recruitment into extremist groups; continuing to build counterterrorism capacity; addressing vital security sector reform and modernization; and focusing on democracy and governance, human capacity development, especially for youth, and economic growth as avenues for ensuring stability.

Key cross-cutting themes for U.S. foreign assistance include improved policy implementation and institutional reform in order to achieve broader transformational impacts. Anti-corruption, gender and sustainability are additional elements that the USG addresses in all goal areas. Improving transparency and accountability helps to make U.S. assistance more effective and sustainable and contributes to an environment where democracy and economic growth can flourish. When addressing gender, the USG will take both a top-down and bottom-up approach. The USG will work to integrate the different concerns of both women and men, as well as different age groups, into the policy reform process. Building the capacity of local institutions and local communities to incorporate women's needs, as well as other gender-specific needs, i.e., young males and females, and address those needs is also a key crosscutting strategy for the USG. The analyses of men's and women's needs will be conducted during the design process and the development of specific programs to address these issues.

USG initiatives are in line with and fully support Morocco's National Initiative for Human Development[1] . In addition, our goals support other sector-specific Moroccan initiatives such as Morocco's Green Plan and Emergency Action Plan for Education. The GOM values its development partnership with the USG, and therefore plays an active role in promoting positive media coverage of

[1] USAID graduated Morocco from assistance in the health sector in 2003 because of the substantial improvements in health services and health status.

development assistance plans and programs in which the USG and GOM partner. The USG will develop a joint outreach strategy for all U.S. agencies providing assistance in Morocco. This outreach, targeted at broad host country audiences, will support and improve positive coverage of USG foreign assistance goals in Morocco and the concrete results and impact of U.S. foreign assistance, via both traditional and new media (e.g. internet sites and blogs), and in both Arabic and French.

C. U.S. Assistance Priority Goals

The USG has four priority assistance goals in Morocco that directly contribute to U.S. foreign policy objectives:

Goal 1 – Mitigate drivers of youth disaffection and marginalization. (*Program Elements: Basic Education, Delegitimize Terrorist Ideology, Workforce Development*) A large youth bulge creates the potential for internal instability, especially when compounding factors such as high unemployment and lack of political participation are present. By engaging at-risk populations and providing economic, political, and educational opportunities for both in- and out-of-school youth, the USG provides positive alternatives to Moroccan youth and helps to mitigate causes of youth disaffection.

Goal 2 – Reduce poverty and increase economic growth. (*Program Elements: Trade and Investment Enabling Environment, Business Enabling Environment, Private Sector Productivity, Agricultural Enabling Environment, Agricultural Sector Productivity*) Broad-based economic growth is based on the idea that all citizens must have economic opportunities in order to be productive and engaged citizens. Leaving out significant portions of the population will create discontent that can be exploited. The USG will focus on improving the business enabling environment, increasing competitiveness in key growth sectors, and increasing economic opportunities for the poor in high-growth potential sectors. With Morocco becoming increasingly water-stressed, the USG will address water policy and seek to help Morocco improve efficiency and sustainability of water use. U.S. assistance will continue to help Morocco draw benefits from the U.S.-Morocco Free Trade Agreement.

Goal 3 – Improve Effectiveness of Democratic Governance. (*Program Elements: Local Governance, Civic Participation, Political Parties, Justice System*) Real stability is based on the ability of government to represent, respond to and be accountable to its citizens, provide opportunities, and meet citizens' fundamental needs and desires. The USG will focus on strengthening civil society, political parties, and local government; promoting decentralization, especially for youth, women and the poor; combating corruption; and catalyzing legal and justice sector reforms to ensure citizens' rights. The USG will foster political competition through political parties and civil society.

Goal 4 – Reinforce Security and Stability. (*Program Elements: Justice System, Law Enforcement Restructuring, Reform and Operations, Governments' Capabilities, Counter Weapons of Mass Destruction (WMD) Proliferation and Combat WMD Terrorism, Defense, Military and Border Restructuring, Reform and Operations*) The USG goal is to help Morocco establish the conditions and capacity to reinforce security and stability and the ability to effectively respond to emerging national, regional and international threats. This will be achieved primarily through specific reforms and support for the continued modernization of security forces and the security sector, as well as customs, legal, and regulatory reforms. However, the highest counterterrorism priority will be working with at risk youth and improving their perception of law enforcement and the justice system.

These four mutually reinforcing goals in youth, economic growth, government effectiveness, and security will improve physical security in Morocco and ensure internal stability by encouraging the full participation of citizens, particularly youth and the poor, in Morocco's economic and political life.

D. Donor Coordination

With the signing of the Millennium Challenge Account (MCA) Compact in August 2007, total USG assistance increased from an average of $27 million per year to an estimated $61 million for FY08 and over $110 million in FY 2009. The USG has consistently ranked as one of the top ten donors in Morocco and is an active participant in donor coordination. The Moroccan Ministry of Economy and Finance (MOEF) coordinates all donor assistance at the macro-level and is responsible for implementing the Paris Declaration in conjunction with the Organization of Economic Cooperation and Development (OECD). Both USAID and the Millennium Challenge Corporation (MCC) represent the USG at this level. Donor coordination at the technical level is coordinated by the line ministries. Various USG agencies are active members of the education, elections, governance, and water coordination committees. In areas where formal coordination committees do not exist, the USG participates and helps organize periodic theme-based meetings with other donors as needed. Examples of recent themes include vocational training, agriculture, prison de-radicalization, corruption, and strategic planning. Currently, no formal donor coordination takes place for youth development. This is an area where the USG plans to take the lead. The GOM also coordinates donor activities to ensure balanced regional focus. Multilateral donors such as the EU and World Bank tend to support broad, sweeping reforms. Bilateral donor assistance tends to focus on agriculture, water resources, infrastructure, distribution, management, and human resource development. Other investment and development banks' portfolios support mostly large infrastructure projects including roads, potable water, irrigated agriculture, and electrification. The USG focuses on critical niches in targeted sectors in areas where other donors are generally not engaged, where the USG brings specific comparative advantages, or where there is an opportunity to leverage other resources.

III. Priority Goal 1: Mitigate Drivers of Youth Disaffection and Marginalization

A. Situation Analysis/Problem Statement

National concerns of unemployment, poverty, illiteracy, access to relevant education, and political participation all profoundly affect Moroccan youth. Fifty percent of the nearly 32 million Moroccans are under age 25. One million children aged between 9 and 14 years are out of school and between 250,000 and 300,000 drop out of school every year. The overall unemployment rate is estimated at 9%; however, the rate is over 30% among urban youth. Young men and women are not major participants in political parties and civil society organizations, due to the lack of internal democracy within these organizations, cynicism about pervasive corruption and the almost total absence of civic education.

A growing number of marginalized youth, particularly young males, have found themselves on the verge of moving from marginalization towards disaffection – a critical tipping point in which they lose optimism about the future, find themselves cut off from meaningful connections to public or civil society institutions, lose confidence in their ability to identify opportunities for personal development, and turn to illegal migration, crime, violence and association with radical or extremist groups. The presence of this youth bulge combined with a lack of opportunities poses significant challenges to

Morocco's political, social and economic stability. Examples of this level of disaffection have recently emerged in Morocco where youth involved in extremist groups were responsible for terrorist bombings in and around Casablanca in 2003 and 2007.

B. Critical Assumptions and Risks

There is presently very strong political will, from the highest levels of the GOM, for education reform and support for out-of-school youth. It is assumed that this positive tide will continue. The support of non-state actors for education and youth programming is currently nascent, but promising. Although strong political will for youth programming and a national youth strategy exists, there does not appear to be a strategic vision across all national, local administration, and elected bodies to target the issues affecting youth development in Morocco. Implementation of a coherent, well-managed, transparent and accountable national youth policy will be critical and is an area where the USG can provide assistance.

C. Assistance Approaches

The USG's strategy for youth programming reflects unique niches for USG assistance and is based on two prongs. One prong will focus on ensuring the relevance of education for male and female middle school students. The second prong will focus on providing out-of-school youth with access to opportunities that support their full and productive participation in society. In particular, complementing formal schooling by providing learning opportunities in life skills and civic education are promising efforts that help to bridge what is learned in the classroom with real life challenges faced by youth. Aligning programs with private sector demands and teaching youth in and out of school to become good leaders and citizens will provide them with the tools that they need to create a brighter future.

Building on international best practices, the USG will use a multi-sector approach to target marginalized youth at risk of disaffection. Under the *basic education* program element, the USG will focus on the development of problem solving, leadership, civic engagement and other life and employability skills, linking youth to further educational or employment opportunities. However, arming youth with positive life skills alone is not enough. U.S. assistance will also increase opportunities for employment through workforce development and civic participation through the *economic growth* and *civic participation* program elements.

The USG will continue to focus on improving the quality and relevance of middle school, shifting towards a focus on issues of retention for both girls and boys. Increased quality and relevancy will not only help to ensure that students are better prepared to enter the workforce, but will also help to stem the tide of youth who drop out of school. The USG will work to incorporate employability, life skills training, and civic education into Morocco's formal school system and to increase school-to-work linkages. Under its current strategy, USAID has piloted several highly successful projects in life skills and employability training. Building on those successes, U.S. assistance will now focus on improving the Ministry of Education's (MOE) capacity to evaluate, implement, and scale up these reforms and will ensure that teachers are trained to teach employability and life skills. As foreign language and IT skills are an important component of life skills, the USG will continue its successful English language and integrated IT training programs.

An important part of our strategy is to increase community participation in the management of schools through the development and use of local school improvement plans and other strategies. Parent Teacher Associations (PTA), school management committees, and civil society groups will become more effective advocates for relevant education and will play critical roles in increasing local accountability and monitoring of schools. U.S. assistance will also work to improve the capacity of civil society and youth organizations to advocate for marginalized and disaffected youth and to collaborate with local and national government in innovative youth programs under the civic participation program element. In addition, the USG will support the GOM in youth policy reform.

As formulated, this goal is not expressly linked to the actions needed for biodiversity and forest conservation in Morocco.

D. Coordination of USG Efforts

USAID is the primary USG agency working with youth and education in Morocco. State (through MEPI) will continue to support Moroccan educational reform, largely through the engagement of Moroccan participants in its broader regional programming. State will continue its youth outreach activities, including promoting youth civic engagement through the use of electronic media. State and USAID, will coordinate their activities to ensure close collaboration.

E. Role of Host Country/Regional Organizations/Private Sector Partnerships

In the formal education sector, the GOM has made education reform a top priority. The MOE put in place an education emergency action plan. USG assistance will be closely coordinated with the MOE to ensure that our assistance fits the priorities of this plan. Government entities with a mandate to support youth include the Ministries of Youth and Sports, Education, Employment, Endowments and Islamic Affairs, and the locally-elected municipal councils. When working with out-of-school youth, the USG will collaborate closely with these various entities.

Building public/private alliances has proved an excellent tool to promote youth employment and services. The USG will build on sound principles and past experience to promote more public/private alliances to address youth issues in Morocco.

F. Anticipated Results

By the end of the strategy, there will be a percentage increase in: the number of youth (male and female) who gain employment; the number of youth (male and female) who return to school, obtain internships or engage in further professional training; the number of youth (male and female) who engage in community initiatives; as well as a decrease in the drop out rate.

IV. Priority Goal 2: Reduce Poverty and Increase Economic Growth

A. Situation Analysis/Problem Statement

While Morocco has seen a reasonable rate of growth over the last five years (averaging 4.8%), new jobs are not created fast enough to absorb the growing workforce. Poverty and inequality remain significant problems. Morocco scores nearly twice as unfavorably on the United Nations

Development Program's (UNDP) Human Poverty Index (HPI) as other lower middle income countries. According to a 2007 GOM household standard of living survey, approximately 9% of Moroccans fall below the national poverty line, while another nearly 18% are vulnerable to poverty. Despite government efforts, the gap between rural and urban areas remains huge with 75% of the poor residing in the rural areas.

Although Morocco has made great strides in improving its overall business environment, particularly in the areas of macroeconomic stability and infrastructure development, it continues to lag behind its competitors in establishing a truly friendly business environment. Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and ultimately economic growth. The World Bank ranked Morocco 129th out of 178 countries in 2008 on the Ease of Doing Business indicator. Morocco's integration into the world economy has grown significantly. However, the current challenge is for Morocco to implement key reforms effectively in order to take full advantage of international markets.

B. Critical Assumptions and Risks

The primary critical assumption is that the GOM will continue to maintain a stable macroeconomic environment and will remain committed to economic reform and liberalization. The GOM is strongly committed to implementing the newly formulated "Green Morocco Plan" to reform Moroccan agriculture and increase rural development. Also, other bilateral and international donors, who expressed their willingness to coordinate their efforts with USG, remain committed to their programs affecting economic growth.

C. Assistance Approaches

This strategic approach is centered on one key principle—the idea that broad-based economic growth is the strongest lever to reduce poverty and ensure that all citizens, both male and female, have the opportunity to become productive and engaged members of society. While economic growth is necessary to achieve these ends, it alone is not sufficient. USG strategy must be carefully designed to ensure that opportunities are afforded to a wide range of citizens, including two key target groups—the poor and youth.

The USG will focus on two key objectives. One objective is to strengthen farmers and businesses in high-growth potential sectors. These producers and sectors are viewed as drivers for economic growth. The second objective is to implement priority policy reforms that have broader systemic effects. A number of key policy issues have emerged as priorities, including: export policy, water use, agricultural productivity, trade and investment environment, labor rigidities, bankruptcy procedures, contract adjudications, and access to credit (land tenure and collateral registries).

Given its past development assistance in Morocco and elsewhere, the USG has a comparative advantage in supporting the GOM in implementing key policy reforms. Policy priorities will be selected and sequenced based on their importance in strengthening the broader business and trade and investment enabling environments and the strategic priorities of the GOM. It is important to note that the key impediment in the Moroccan context is most often, not the adoption of new policies, but rather effective implementation at the national and local levels.

The MCC has signed a five-year, $697.5 million Compact with Morocco; more than half of that amount, a total of over $417 million is devoted to food production (i.e. agricultural productivity): $300.9 to fruit tree productivity and $116.7 million to small-scale fisheries. The implementation of trade liberalization in Morocco, including the implementation of the U.S.-Morocco Free Trade Agreement, will lead to major transformations in agriculture and the rural economy. In addition to arboriculture and small-scale fisheries, the MCA program will also support artisans, small-scale enterprises, and the expansion of financial services. While MCC's work in these domains tends to focus on the producer level, USAID assistance will emphasize improvements in the broader business enabling environment and support private sector competitiveness at the network level. The strategy addresses critical policy issues that create barriers to shifting towards more appropriate and profitable crops. This includes better use of scarce water resources, land tenure and tariff structures.

Achieving poverty alleviation is dependent on high levels of economic growth, which in turn cannot be achieved without a strong private sector that is able to successfully compete in international markets. The USG will work both at the producer or farm level, and through private sector networks, to build capacity to provide a range of services that increase competitiveness. Services will include assistance in moving toward market based approaches, providing market data, integrating or using improved technology, accessing credit, and creating or facilitating market linkages.

Increased investment is a precondition for job creation and poverty alleviation. USG assistance will focus on improving the business and investment environment by improving services provided to investors, including simplifying investment procedures, promoting policies to attract new investors, and supporting new, environment-friendly technologies. As a part of this objective, the USG will build on past successes in workforce development by expanding partnerships with the private sector and training institutions to ensure that young graduates have the skills needed to meet the needs of business.

According to the initial 118/119 analysis, worldwide reviews of development and conservation have shown that development activities may reinforce conservation just as they may negatively impact on conservation. The impact of development and poverty alleviation will depend on the nature of the interventions. However, based on the probable nature of activities which will be undertaken under this goal, specific activities will be vetted for environmental considerations.

D. Coordination of USG Efforts

Economic assistance efforts by USG entities are coordinated by the Ambassador through regular country team meetings and communications with Washington-based agencies. USAID, MCC, State, the United States Department of Agriculture, the United States Trade and Development Agency, the United States Department of Commerce and the Middle East Partnership Initiative will collaborate on efforts to increase the capacity of Morocco to participate more fully in the global economy. USTDA works to ensure that Morocco is able to take full advantage of the U.S.-Morocco FTA. State (through MEPI) and USAID will collaborate primarily on improving access to finance. MCC assistance will include funding and technical assistance to the micro-credit sector, to the artisanal sector, agriculture, and to coastal fishing in specific regions. USAID's program will focus on working with the GOM to implement policy reforms that are designed to have broader systemic effects, many in support of MCC programs.

E. Role of Host Country/Regional Organizations/Private Sector Partnerships

The Moroccan Government's "Green Moroccan Plan" addresses inadequate growth in the agricultural sector and rural regions. The USG has a record of close collaboration with the GOM to accomplish our mutual goals and will work closely with concerned ministries and regional and local government entities. Involving the private sector as partners is also a continuing goal for USG assistance.

F. Expected Results

The MCA Compact entered into force (EIF) on September 15, 2008, signifying that the five-year clock has started ticking. At the end of this period, the USG expects 136,000 households to have benefited directly from the fruit-tree component of the MCA program, in addition to job opportunities for approximately 11,000 agricultural laborers. Another 24,000 households whose net income will increase approximately 62% should benefit from the various improvements in the small-scale fisheries project. Poverty will also be reduced by stimulating main industries, tourism and artisan production to benefit 20,000 low-income workers in the Fez Medina. Up to 174,000 additional clients of micro-credit associations will benefit from the compact, increasing incomes. Approximately 4,000 enterprises could receive technical assistance and up to 2,000 National Initiative for Human Development (INDH) groups could receive similar support.

The USAID program will demonstrate broader impacts, including accelerated economic growth through increased investment, increased value of sales in targeted sectors, and improvement on the World Bank's Doing Business Index in target areas. This is also expected to provide targeted populations, including youth and women, with new employment opportunities.

V. Priority Goal 3: Improve Effectiveness of Democratic Governance.

A. Situation Analysis/Problem Statement

Despite important progress in democratization, Morocco is still building and consolidating democratic institutions that address the political, economic and social needs of its citizens. Moroccans have not yet taken full advantage of post-2000 openings for political parties, civil society and locally elected councils. Such openings might slow down if these organizations lack the capacity and initiative to use and expand their existing authorities. Locally elected governments remain under the control of the Ministry of Interior, thus discouraging public participation. Corruption plagues many institutions, including the educational system, business regulatory bodies and the justice system. Lack of judicial independence, human right abuses and limited access to justice for women, youth and the poor leave many Moroccans with limited or no options for seeking justice.

B. Critical Assumptions and Risks

Despite King Mohammed VI's efforts at opening the Moroccan political system while assuring adequate security and stability, the demand for political reform from political parties, civil society, the private sector and citizens is increasing. Significant delays in democratization could affect political stability and the security situation in the country. The government is aware of these pressures and will more than likely continue pursuing democratic reforms, albeit at its own pace.

C. Assistance Approaches

Progress toward achieving democratic, just and participatory governance is essential for controlling corruption and building confidence in public and private institutions. This will also increase the sense of justice among youth, women, and the poor, thus reducing the incentive to join extremist groups or other groups that cause instability. Achieving this objective will support other USG goals focusing on economic growth, youth and security.

Democracy and governance represents a unique niche for the USG. Exclusion from opportunity dramatically lowers the will of citizens to engage in the political system and take responsibility for their future. A fundamental development barrier for Morocco is the ability of institutions to deliver public services effectively and in a way that reflects citizens' priorities. The USG strategy will improve the capacity of targeted institutions to implement policy effectively. In order to achieve this successfully, it is essential that foreign assistance programs include civil society as an active participant in decision making processes.

The USG will place increased emphasis on building the capacity of civil society to advocate more effectively and ultimately influence decision making. The USG will initiate programs that strengthen organizational capacity, build links between national and local levels, and improve the ability to advocate effectively and support marginalized and disaffected youth.

To improve the performance of local representational bodies, the USG will provide assistance to promote free and fair municipal and regional elections and help municipal and regional councils increase transparency, accountability, participation and provide leadership on economic and social development, thus improving the effectiveness of these local governance bodies. The USG will support targeted legal reforms focused on political, administrative and fiscal devolution. These activities will be complemented by support for advocacy efforts on decentralization and reduction of central government oversight of local elected bodies. To help local governments respond to citizen priorities, the USG will increase the capacity of local government to undertake participatory strategic planning, use good governance practices and collaborate with regional officials and central government agencies.

The USG will improve the ability of political parties to define, advocate and market policies. Political parties will increase their capacity to function more effectively and implement grassroots initiatives to engage groups such as youth, women, and the poor. Specifically, they will be better able to analyze policy, develop platforms, communicate with constituents, and engage in the legal reform process.

The USG will increase accountability and transparency of key institutions within the judicial sector. In addition, the USG will assist the GOM in enacting priority legal reforms that promote citizen equality. Civil society will play an important role in this process through the provision of legal analysis, support for legal reforms, advocacy for citizen issues, and in demanding accountability. This approach is based on the reform priorities of the Moroccan Government as well as lessons learned among USG agencies and other donors.

According to the initial 118/119 analysis, worldwide reviews of development and conservation have shown that development activities may reinforce conservation just as they may negatively impact on conservation. The environmental impact of democracy and governance activities will depend on the

nature of the interventions. The analysis suggests that involving communities in the management of their local, but state-owned resources is dependent upon how communities organize themselves through representative, democratic structures to negotiate power sharing with the state. These same local structures need to develop good governance mechanisms in order to equitably share the costs of natural resource management and the benefits of natural resource harvesting, processing and marketing.

D. Coordination of USG Efforts

Democracy assistance efforts by USG entities are coordinated by the Ambassador through regular country team meetings and communications with Washington-based agencies. USAID, State (through MEPI, the Bureau of International Narcotics and Law Enforcement Affairs [INL], and the Bureau of Democracy, Human Rights and Labor [DRL]) and the Department of Justice (DOJ) will collaborate on justice and human rights programs. State (through MEPI) and USAID will collaborate on political party programs. State (through MEPI and DRL) and USAID will support civil society. USAID will focus on decentralization and local government development.

E. Role of Host Country/Regional Organizations/Private Sector Partnerships

The GOM will be a partner in those activities focused on increasing government performance at the central and local level. Civil society actors, including political parties, non-governmental organizations and the private sector, will be partners in advocacy and human rights activities.

F. Anticipated Results

By the end of the strategy, targeted government institutions will be more transparent, responsive and accountable to citizens and the autonomy of local and regional government will have increased. Illustrative indicators include the percent of citizens who indicate that a target institution is more responsive, transparent and accountable. In addition, these data will be coupled with other indicators that incorporate specific criteria to demonstrate tangible progress toward achieving objectives, such as the implementation of a code of ethics. Key policies and legal reforms that promote citizen equality will be implemented.

VI. Priority Goal 4: Reinforce Security and Stability.

A. Situation Analysis/Problem Statement

The realities of the terrorist threat and its impact on security and stability in Morocco have never been clearer than following the May 2003 and March and April 2007 suicide bombings in Casablanca. The international threat is equally clear given the involvement of Moroccan nationals in terrorist activity in Iraq, Afghanistan, the 2004 Madrid bombings, and even in the 9/11 attacks in the U.S.

The key factors potentially breeding terrorist threats worldwide include: marginalized youth (particularly males) vulnerable to radicalization; prisons, as potential areas for the recruitment, radicalization, and networking of extremist groups; growing wealth disparity; corrupt and ineffective governance; a perceived existential threat to Islam; inadequate and insufficiently trained security forces and justice system; scientists, private sector and government actors involved in dual-use

technology and commodities (biological, chemical and nuclear) that are highly sought after by terrorists; and territorial security, the risks associated with the flow of illegal persons and materials across the borders.

The USG and Morocco share an interest in regional security and support for peacekeeping operations as a way to create the conditions under which the parties to regional conflicts can take effective action. The number of peacekeeping operations and the need for countries to contribute to peacekeeping forces will continue to grow. Morocco has a military force willing and capable of engaging in peacekeeping missions and offering regional leadership. However, its capacity could improve under a needs-based modernization effort in order to support peacekeeping missions and keep pace with modern security needs.

B. Critical Assumptions and Risks

There is strong political will in Morocco for counterterrorism activities. Extremist forces will continue attempts to disrupt this government. Moroccan security forces commonly disrupt terrorist cells. Those cells are primarily indigenous but are increasingly connecting to larger and more capable terrorist groups, like *Al-Qaeda in the Lands of the Islamic Maghreb* (AQIM). Morocco is taking significant action to modernize the military, as indicated by planned military purchases. In addition, it is working to modernize civil law enforcement by furthering the development of a more professional cadre that addresses complex issues, including indigenous terrorist cells. Morocco will likely continue to be willing to support peacekeeping operations.

There are two key events that could trigger a change in the reinforce security and stability goal. The first is with continued progress on the Western Sahara: a successful resolution could lead to a dramatic shift in the role of the Moroccan military forces there. The second shift could be the opening of the border between Algeria and Morocco, requiring re-thinking border security issues.

C. Assistance Approaches

The top security issue is counterterrorism. To successfully address the terrorist threat, the USG will partner with Morocco on programs that include elements of counterterrorism training and complementary approaches that are integral to succeed in the Moroccan context and that specifically address the priority concerns and gaps in Morocco. The five focus areas under the Reinforce Security and Stability goal include: to engage at-risk youth in the criminal justice system; pursue prison reform (particularly youth in prisons and detention centers); build the capacity of law enforcement and support judicial reform; strengthen customs and border security; and modernize the military.

The USG will target the criminal and juvenile justice systems to reach youth in prison and utilize alternative sentencing options. Assistance will provide social and legal services and life skills education to youth in the justice system and positive networks and support systems. The USG will enhance the professionalism of law enforcement officials and will provide assistance to Morocco to improve law enforcement strategies and implement laws and policies to help prevent prisons from becoming centers of recruitment. While specifically focusing on reaching youth, the USG will work with Morocco to improve the overall quality of prison life by providing training for prison guards in targeted detention centers and prisons on conflict resolution and broader professionalism.

The USG will provide training and technical advice to reform the security sector, particularly assisting the criminal justice system's capacity to cope with the terrorist activities. Assistance will focus on improving law enforcement officials' ability to investigate, detain, prosecute, provide adequate public defense, and imprison individuals found guilty of criminal, particularly terrorist, behavior. Assistance will also incorporate efforts to address corruption and support efforts to improve information sharing on criminals and terrorists within the security sector and with the international community.

In support of Morocco's membership in the Global Initiative on Countering Nuclear Terrorism, the USG will help strengthen Morocco's ability to prevent the proliferation of sensitive materials to terrorists. The USG will engage Morocco and private industry to develop the proper legal and regulatory framework and with Moroccan customs and border guards on sensitive commodity identification, interdiction and investigation.

The USG will seek to help Morocco modernize its armed forces to strengthen their ability to provide territorial and regional security and to participate in peacekeeping operations. This will be done through the provision of training and equipment to complement and support the Moroccan governments' own efforts at modernization through purchases of U.S. military equipment to meet immediate security requirements, particularly to reduce gaps in Moroccan territorial surveillance capabilities and to support their peacekeeping capacity.

The continuation of a five-year commitment to the Global Peacekeeping Operations Initiative (GPOI) offers additional opportunities for Morocco to increase its role and capacity in peacekeeping operations. In addition, Morocco and the USG will continue to work together through regional approaches to countering terrorist threats.

As formulated, this goal is not expressly linked to the actions needed for biodiversity and forest conservation in Morocco.

D. Coordination of USG Efforts

State/INL will have the lead on providing program advice on security sector reform (including prisons) and training law enforcement officials, while USAID will coordinate in those same prisons and focus on youth programming. USAID, State/INL, State/DRL, MEPI and DOJ will collaborate on complementary justice programs. In addition, the Department of Defense (DOD) will provide technical implementation support in close alignment with these programs. Customs and border security requires close integration between State/INL, State's Bureau of International Security and Non-proliferation, the Department of Commerce, DOD, and the Department of Energy, each of which has specific programmatic expertise. DOD will coordinate with Morocco to determine the military requirements.

E. Role of Host Country/Regional Organizations/Private Sector Partnerships

Morocco has been an active and long-standing partner with the U.S. on terrorism and is receptive to reform and all USG assistance and training to address the terrorist threat. The USG has a record of close collaboration with Morocco to accomplish mutual goals and will work closely with concerned ministries and regional and local government entities.

F. Anticipated Results

The long term objective of Priority Goal 4 is to modernize and improve the professionalism and capacity of the Moroccan government, particularly the security sector, and private industry to restrict the access of terrorist organizations to specific Moroccan assets, including recruits, finances, and materials, and to disrupt terrorist organizations' ability to organize and plan attacks.

The results to be achieved under this goal include:

- At-risk youth in targeted areas will be empowered to make positive choices that will mitigate their receptivity to extremist ideology and organizations;
- Law enforcement actors will improve their professionalism and key skills, as well as their ability to collect and share information on crime and terrorism;
- Morocco will have a control list consistent with the major international control regimes;
- Morocco will continue to contribute to peacekeeping missions and provide leadership and training to other militaries in the region to engage in peacekeeping operations.

VII. Resource Assumptions[2]

A. General Levels of Resources

During the life of this strategy (2009 – 2013), the U.S. Mission in Morocco will see an influx of USG funds for economic growth assistance as the MCC begins implementing its five-year $697.5 million Compact with the GOM as well as slight overall increases. The Compact was signed in 2007 and MCC is in the initial phase of implementing activities. There may also be slight increases in USAID and IMET funding during this strategy period. MEPI, however, anticipates continued decreases in regional resources for Morocco as the initiative shifts its focus to non-presence USAID countries. 1210 funds to support youth programs addressing radicalization in prisons are uncertain.

Based on funding trends over the past five years, planned levels for the first two years of the strategy, and assuming a straight-lined budget for the other three years, the life of the strategy budget to implement the four proposed goals is estimated around $875,000,000. Of this total, approximately $700,000,000 represents funding for the five-year MCA Compact and about $175,000,000 represents anticipated 150 account funding. Out of the 150 account, about $70,000,000 would fund Peace & Security activities, about $30,000,000 would be for Governing Justly & Democratically, about $35,000,000 for Investing in People, and about $40,000,000 for Economic Growth. These figures are indicative only, represent funding only from the 150 account, and do not reflect funds for MEPI, DOD, USTDA, USDA, USDOC, and other State programs even though their activities are reflected in the CAS. Funding trends in these areas were more difficult to ascertain.

[2] All discussion of resource levels in this document are for indicative and strategic planning purposes only and in no way should be interpreted to represent planned or actual resource requests or future anticipated resource levels. Annual resource allocations are made subsequent to the annual appropriation process.

In addition, the U.S. Mission in Morocco is optimistic that there will be an increase in funds leveraged through public/private partnerships.

B. Proposed Shifts in Resource Allocations

As compared to the previous foreign assistance strategy levels, the projected budget reflects a shift in emphasis in favor of Governing Justly and Democratically (GJ&D) and Investing in People (IIP) objectives, as the assistance program will increasingly focus on governance, anti-corruption, civil society support and basic education activities aimed at addressing the roots of radicalization, especially targeted youth. Increased resources in Trans-Saharan Counterterrorism Partnership (TSCTP) for the Maghreb will provide additional available resource for counterterrorism programs and the continuation of GPOI will offer possible additional resources to the modernization of the military.

C. Expected Host-Country and Other Contributions

Expected host-country contributing institutions include national, regional and local governments and the private sector. While governmental contributions are generally in-kind (staff time, office space, vehicle, equipment), programs will seek cost-sharing with the private sector whenever feasible. Increased host country contributions in GJD, Education and Economic Growth are expected to meet USG requirement related to cost sharing.

D. Funding Scenario 1 – Increase in Overall Budget Level

The highest priorities for increased funding would be to strengthen basic education and workforce development to counter terrorist ideology, under goal 1. If sufficient additional funds were approved, the second priority would be to strengthen local governance and civic participation, under goal 2.

E. Funding Scenario 2 – Decrease in Overall Budget Level

A decrease in the budget would significantly impact the Mission's ability to achieve critical new objectives in the area of legal reform related to citizen equality and the strengthening of key institutions in the justice sector.

F. Program Management

Anticipated increases in the number of Foreign Service Officers will be important in ensuring successful implementation. The increased focus on security sector reform, including the justice system, would best be supported with the addition of a legal advisor/prosecutor and there are additional needs for program support involving the counterterrorism programs. In addition, current freezes on local staff salaries, may lead to future issues in retaining experienced and qualified local staff.

G. Biodiversity Analysis

As required, USAID conducted a 118/119 biodiversity analysis to inform strategic assistance direction. The full report is on file at Post. The general country assessment showed that Morocco has

some of the richest diversity of terrestrial and marine ecosystems in the Mediterranean basin. All ecosystems are under pressure and most are moderately to severely degraded. The most widespread direct threats to terrestrial ecosystems are over-grazing, over-harvesting, conversion and climate change. State forest and rangelands offer *de facto* open access to herders and overgrazing is so severe it prevents many of the trees species from regenerating. Most of the large wildlife was decimated over 100 years ago. Freshwater ecosystems are the most variable as to type of pressure and the degree of degradation. All marine ecosystems suffer from moderate to severe over-fishing and coastal fisheries are open access resources. Marine biodiversity is poorly inventoried and marine ecosystems are poorly studied and understood. This biodiversity analysis was undertaken with all of the CAS goals in mind. The assessment found that the goals and approaches of the draft CAS are quite general and mostly neutral with regard to biodiversity and forest conservation – they do not explicitly help or hinder conservation.

VIII. Appendix

A. Bibliography

Haut Commissariat au Plan. *Enquête sur les niveaux de vie des ménages.* "Taux de vulnérabilité a la pauvreté par milieu." Accessed 9/24/08. Online: http://www.hcp.ma/frmInd.aspx?id=1101010000&vara=10

International Monetary Fund. *World Economic Outlook.* "Morocco: Gross Domestic Product, Annual Percentage Change." Accessed 9/1/08. Online: www.imf.org/external/pubs/fl/weo/2008/01/weodata.

Transparency International. *Corruption Perception Index.* "Morocco: Corruption Perception Index." Accessed 9/1/08. Online: http://www.transparency.org/policy_research/surveys_indices/cpi/2007.

"Un million d'enfants non scolarises." L'Economiste. 9/6/08

United Nations Development Program. *Human Development Report.* "Morocco: Human Development Report 2008." Accessed 9/5/08. Online: http://hdrstats.undp.org/.

United Nations Educational, Scientific and Cultural Organization. UNESCO Institute for Statistics. "Net Enrollment Rate, Primary Education, Total." Accessed 9/5/08. Online: http://data.un.org/.

United Nations Educational, Scientific and Cultural Organization. UNESCO Institute for Statistics. "Education, Primary Completion Rate, By Sex." Accessed 9/5/08. Online: http://data.un.org/.

United States Department of State Bureau of Near Eastern Affairs. "Morocco: Profile." Accessed 9/2/08. Online: www.state.gov/r/pa.

World Bank. *Doing Business Report.* "Morocco: Doing Business." Accessed 9/2/08. Online: www.doingbusiness.org/ExploreEconoies/.

World Bank. *Governance Matters.* "Morocco: Voice and Accountability." Accessed 9/5/08. Online: http://info.worldbank.org/governance.

World Health Organization. "Morocco: Population Median Age." Accessed 9/3/08. Online: http://data.un.org/.