



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$4,800,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of Morocco.

The attached notification is being sent to the Congress on February 11, 2015. Obligation of funds may be incurred on or after 15 days from the date of this notification.

In addition, we have attached supplemental information that further describes the planned use of the funds.

Sincerely,

/s/

Paul Weinberger  
Vice President  
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION  
CONGRESSIONAL NOTIFICATION**

February 11, 2015

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2015 Program Funds
OBLIGATION AMOUNT:	\$4,800,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2015 this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$4,800,000 under section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development and implementation of a Millennium Challenge Compact (“Compact”) with the Government of Morocco.

The funds are expected to finance activities necessary for MCC to assess the expected impact of the proposed investments, further design activities and develop implementation strategies. Funding these activities reflects MCC’s commitment to preparing projects in a comprehensive manner, prior to Compact signing, to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.

## SUPPLEMENTAL INFORMATION

### MCC 609(g) Activities for Morocco

#### Background

Morocco's economic and political stability have contributed to significant poverty reduction over the past decade as the country graduated to Lower Middle Income ("LMIC") status. Significant constraints remain, however, to accelerating private sector-led growth and improving access to opportunities. While overall investment in Morocco has increased, the economy remains dominated by a small group of large enterprises, relatively few small and medium enterprises ("SMEs"), and the majority of the population employed in the informal sector. While poverty trends are improving, regional inequality is significant, with an urban/rural divide in access to public services and economic opportunities. In the 2014 Gender Equality Index of the World Economic Forum, Morocco stands 133rd out of 142 countries worldwide. Youth (ages 15 to 29) represent 30 percent of the population and experience the highest unemployment rates.

#### Compact Eligibility and Constraints Analysis

Morocco was selected as eligible to develop a subsequent compact with MCC in December 2012 and thereafter completed a constraints analysis in partnership with the African Development Bank ("AfDB") and MCC. This process involved extensive consultation with the Moroccan private sector, government officials, and civil society. The analysis identified the following areas as binding constraints to economic growth and investment in Morocco: (i) education quality; (ii) land policy and implementation (with qualitatively different issues for rural land and industrial land); and (iii) governance, notably labor market regulations, taxes, and the judiciary system. In addition, the analysis identified the effectiveness of government coordination as an overarching issue that directly impacts the binding constraints identified and the efforts of the Government of Morocco ("GoM") to address them to date.

As with other countries developing a subsequent compact, Morocco's compact proposals reflect MCC's expectation of a higher standard of engagement. In addition to requiring significant partner country resources in compact development and implementation, MCC has communicated to the government the need to focus compact development, include sector policy and institutional reform in the compact, and engage the private sector by leveraging investment.

The GoM submitted a series of project proposals to address constraints to growth in the education and land sectors. Based on an assessment of the concept proposals from the GoM, as well as consultation with the private sector and civil society, MCC has approved further development of projects focused on improving education quality and land management. The projects include the following:

- **Education and Training for Employment Project:** The private sector's demand for foundational knowledge and skills (from literacy and numeracy, to creative thinking and problem solving) and the need for increasingly sophisticated technical and professional skills are currently unmet in Morocco. The objective of the program is to increase the employability of Moroccan students by improving the quality, relevance, and equitable access to technical vocational education and training ("TVET") and secondary education in target regions to respond to private sector needs.
- **Land Management Project:** The objective of the project is to strengthen the enabling environment for land-based investment in Morocco, creating conditions for increased

private investment and more productive uses of land. These efforts are designed to result in more jobs and increased incomes. The land management project will focus on (i) strengthening land governance and regulation, and (ii) increasing land productivity through securing individual rights to collective lands and stimulating more market-based industrial land development.

### **Planned 609(g) Activities**

Under Section 609(g) of the Millennium Challenge Act of 2003, as amended, MCC will finance activities necessary to assess the expected impact of the proposed investments, further design activities, and develop implementation strategies.

In order to assist the GoM to further develop the proposed compact investment, MCC intends to fund preparatory activities in each of the projects listed above. Specifically, 609(g) funds would be used for detailed design and preparation studies, advisory services on policy and institutional reform, as well as startup of the proposed accountable entity.

### **Update and Sustainability of Morocco's 2007 Compact**

MCC signed a five-year, \$697.5 million compact with Morocco in August 2007, which successfully closed down on September 15, 2013. The Moroccan government collaborated with key stakeholders at the national and regional levels to identify country-led priorities for MCC investments and country-specific constraints to economic growth. As a result, and in accordance with Morocco's national growth strategy, the Moroccan government developed a compact focused on increasing productivity and improving employment in high potential sectors with many of the Moroccan economy's poorest members through the following five projects:

1. **Fruit Tree Productivity Project:** to stimulate growth in the agriculture sector and promote stability of agricultural production by helping to transition farming from grains to fruit tree cultivation.
2. **Small-Scale Fisheries Project:** to improve fish quality and preserve resources, update landing-site infrastructure and equipment, and develop fishing industry value chain activities to encourage greater access to national and international markets.
3. **Artisan and Fez Medina Project:** to increase revenue from cultural and artisan activities and improve educational and professional qualifications of compact beneficiaries.
4. **Financial Services Project:** to improve micro-enterprise services and remove the most severe constraints to the development of the microfinance sector based on market principles.
5. **Enterprise Support Project:** to reduce high unemployment among young graduates and to encourage a more entrepreneurial culture.

The compact is projected to generate \$805 million in benefits among 325,000 households (est. nearly 1.7 million beneficiaries). Nearly all activities were completed within the five-year timeframe. For the Artisan and Fez Medina Project, completion of construction within the compact term was not feasible following implementation delays. The GoM committed to completing construction of these sites with its own funding. The GoM has assigned a dedicated resource within the Head of Government's office to track sustainability of the first compact projects. Construction is now advancing after some initial post-compact delays, and MCC continues to engage with the GoM to ensure a sustainable management framework is in place.

The GoM has committed to ongoing monitoring and supporting impact evaluation of the projects funded through the first compact, and has appointed the Department of Economic Studies and Forecasts within the Ministry of Finance to liaise with MCC's monitoring and evaluation team and independent contractors on the execution of the post-compact evaluations.