



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform Congress of our intent to provide funding in an amount not to exceed \$450,000,000 under a Millennium Challenge Compact with the Government of Morocco.

This notification is being sent on September 17, 2015.

Obligation of funds may be incurred on or after 15 days from the date of this notification.

An attached summary describes the projects and other key elements of the planned Compact. If you or your staff would like to arrange a meeting to discuss the Compact, please contact me or Jim Mazarella, Managing Director of Congressional Affairs, at (202) 521-3850.

Sincerely,

/s/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

September 17, 2015

PROGRAM: Eligible Countries

APPROPRIATIONS CATEGORY: Fiscal Years 2006 to 2015 Program Funds

OBLIGATION AMOUNT: \$450,000,000

The Millennium Challenge Corporation ("MCC") wishes to notify the Congress of its intent to sign a Millennium Challenge Compact (the "Compact") with the Government of Morocco, through which MCC will grant an amount not to exceed \$450,000,000 to the Government of Morocco under the Millennium Challenge Act of 2003, as amended (the "Act"). To accelerate implementation of the Compact, MCC intends to obligate up to \$21,352,000 ("Compact Implementation Funding") of the overall grant under section 609(g) of the Act, using fiscal year 2013 and 2015 funds, when the Compact is signed by the parties. Under Section 605 of the Act, MCC intends to obligate up to \$428,648,000 when the Compact enters into force. After the Compact enters into force, Compact Implementation Funding that is not needed to accelerate implementation of the Compact may be deobligated, and up to an equivalent amount of funding may be obligated under section 605 of the Act. Such funding is included in the total amount of MCC funds under the Compact and will not increase the total Compact funding. Table 1 indicates the amounts MCC plans to obligate from the different fiscal years of funding.

Compact funding will support economic growth in Morocco through investments in education quality and land productivity.

Table 1

Statutory Reference Requiring Congressional Notification	Funding (up to)
Section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006	\$2,800,000
Section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as carried forward by the Revised Continuing Appropriations Resolution, 2007	\$14,300,000
Section 615(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008	\$13,658,325
Section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009	\$21,300,000

Section 7015(c) and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010	\$7,849,292
Section 7015(c) and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010, as carried forward by the Department of Defense and Full-Year Continuing Appropriations Act, 2011	\$51,192,383
Section 7015(c) and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012	\$3,038,861
Section 7015(c) and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, as carried forward by the Consolidated and Further Continuing Appropriations Act, 2013	\$1,200,000
Section 7015(c) and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014	\$168,661,139
Section 7015(c) and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2015	\$166,000,000

SUPPLEMENTAL INFORMATION:

Overview of MCC Morocco Compact

MCC's Board of Directors has approved a five-year, \$450 million compact with the Government of Morocco (GoM) aimed at reducing poverty through economic growth. The compact seeks to assist the GoM in addressing two major constraints to economic growth: education quality and land productivity, with an approach and methodology that incorporate the core issues of government and public-private coordination.

Compact Overview and Budget

Morocco was selected for compact eligibility in December 2012, and the subsequent constraints analysis identified (i) education quality; (ii) land policy and implementation (with qualitatively different issues for rural areas and industrial land); and (iii) governance, notably labor market regulations, taxes, and the judiciary system as binding constraints to economic growth and investment. In addition, the analysis identified the effectiveness of the Moroccan government's level of coordination as an overarching issue that directly impacts the binding constraints identified and the efforts of the GoM to address them, resulting in low productivity of government investment.

The land and education sectors represent binding constraints to growth and provide opportunities to develop policy responses to both the supply and demand for skilled labor. The compact directly addresses the root causes of these binding constraints, which are:

- 1) secondary education and workforce development systems that produce a supply of workers that do not adequately meet private sector skills demand, and
- 2) land policy and implementation that inhibit access to and productive uses of rural and industrial land, thus diminishing investment and consequent demand for labor.

By improving the policy and institutional environment, and creating models to engage the private sector, the two projects will address both the supply and demand sides of the labor market. Both projects support the shift from static, state-led systems to competitive, dynamic systems that engage the private sector and respond to market needs. Further, both projects take a targeted approach to developing and demonstrating new models, and building capacity so that those models can be replicated and scaled up post-compact.

The budget for the compact is \$450 million, not including the contribution by the GoM of approximately \$67.5 million or 15 percent of the U.S. contribution.

The budget of the compact is allocated as follows (all figures are approximate due to rounding):

Component	Total (in US\$ Millions)
1. Education and Training for Employability Project	
1.1 Secondary Education	112.6
1.2 Workforce Development	107.4
Sub-total	220.0
2. Land Productivity Project	
2.1 Governance	10.5
2.2 Rural Land	33.0
2.3 Industrial Land	127.0
Sub-total	170.5
3. Monitoring and Evaluation	10.0
4. Program Administration and Oversight	49.5
Total Compact Amount	450.0
GoM Contribution	67.5
Total Program Budget	517.5

Project Summaries

Education and Training for Employability Project (\$220 million)

The project aims to increase the employability and employment rate of Moroccans by improving the quality and relevance of, and equitable access to, secondary education and workforce development programs in response to private sector needs. Given significant social and gender inequalities in Morocco, a concerted effort has been made to ensure that the Education and Training for Employability Project results in equitable outcomes for both girls and boys and reduces social, gender, and regional inequalities.

Secondary Education Activity: The Secondary Education Activity aims to demonstrate a new cost-effective, sustainable, and scalable model of public secondary schools for delivering quality secondary education focused on the employability skills needed for the modern workforce. It will also support key reforms to improve system performance management. The model will be piloted and rigorously evaluated in approximately 90-100 schools, which will receive a multi-faceted package of interventions in the three key areas of school management, pedagogy, and infrastructure. This package will support schools in meeting the terms of new performance contracts and will also work to create an enhanced learning environment for students that better meets their developmental needs, and better prepares them for tertiary education or entry into the labor market.

MCC funding will also support the development, planning, and implementation of rigorous international and national assessments of student learning, and the utilization of assessment data to inform decisions for improving performance. MCC funding will additionally support the development and piloting of a new approach to school infrastructure and information technology operations and maintenance, through private sector performance contracts in these areas.

Workforce Development Activity: The Workforce Development Activity aims to increase the employability of Moroccans by: improving the quality and relevance of, and equitable access to, private sector-driven technical and vocational education and training (TVET). The activity will also provide: (i) technical assistance to develop and implement demand-driven TVET sector policy; (ii) effective employment services to help unemployed or economically inactive women as well as at-risk urban and peri-urban youth to obtain quality jobs; and (iii) support to a labor market observatory that will provide dynamic labor market information to improve decision-making for public policy and private investment.

An MCC- and GoM-funded grant facility will support selected private sector-driven training centers by issuing grants for infrastructure, equipment, and technical assistance. Additionally, results-based incentive mechanisms, such as social impact bonds, will be used to support promising programs that provide integrated job placement services for women and at-risk urban youth. MCC funding will also support the development and implementation of rigorous impact evaluations to test other non-MCC funded promising labor market interventions.

Land Productivity Project (\$170.5 million)

The project will increase land productivity in Morocco by enabling land markets to better respond to investor demand and by strengthening the enabling environment for investment.

Governance Activity: The Governance Activity is designed to support the development and implementation of a long-term land productivity strategy to address governance and land market constraints to investment and productivity. Once the strategy and roadmap to its implementation are in place, the activity will finance implementation of key elements of the roadmap.

Rural Land Activity: The Rural Land Activity aims to increase rural productivity by making the GoM's current process for privatizing collective lands more inclusive and less time-consuming. The activity will (i) develop procedures that can be implemented within three years or less; (ii) use these improved procedures to support the privatization of up to 46,000 hectares of collective land within Morocco's Gharb region; and (iii) develop and apply tools to address other land-related root causes of low productivity identified during due diligence, such as minimum parcel size requirements. The activity will engage in extensive consultations and outreach in the region of intervention and will develop and apply fair and inclusive land allocation criteria that protect the rights of land holders, including women.

Industrial Land Activity: The Industrial Land Activity aims to transform the way the GoM brings industrial land to market, from a state- to a market-driven approach, through the development of a new model for industrial zone development. By using public-private partnerships for industrial land development, the activity seeks to encourage private sector participation in the development and management of industrial zones, and to ensure that such development and management responds to private sector demand in terms of location, land offering, infrastructure and site and social services.

Economic Analysis

Project/Activity	ERR	Beneficiaries
Education and Training for Employability Project	12.7%-14.5%	2,019,100
<i>Secondary Education</i>	12.4%-15.1%	1,744,100
<i>Workforce Development</i>	13.2%	275,000
Land Productivity Project	15.8%-18.0%	177,800
<i>Governance</i>		
<i>Rural Land</i>	23.0%	81,500
<i>Industrial Land</i>	13.4% to 16.7%	96,300

*The costs of the governance activity are included in the Land Productivity Project's overall ERR.

The Economic rate of return (ERR) was calculated for each of the compact's projects. The costs of the Governance Activity, which is a critical national policy and institutional reform component that will support a land strategy and roadmap, as well as the long-term sustainability and impact of the project's other two activities, are included in the overall ERR for the Land Productivity Project.

The Compact is expected to benefit 2.2 million people over a twenty-year period.

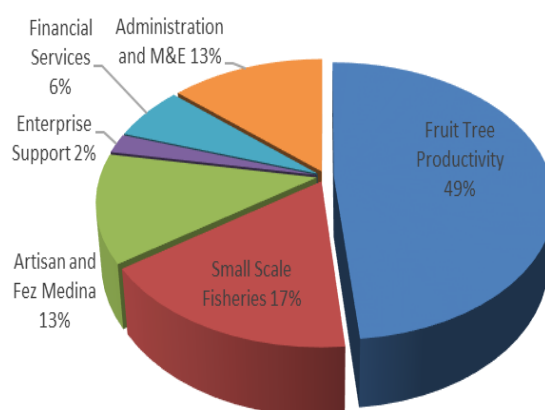
Update on 2007 Morocco Compact

The GoM completed a \$698 million Millennium Challenge Compact in September 2013, of which 93 percent was disbursed. The 2007 compact is projected to benefit 325,000 households (estimated to be nearly 1.7 million beneficiaries). There were five projects in the compact: (i) Fruit Tree Productivity Project, (ii) Small-Scale Fisheries Project, (iii) Artisan and Fez Medina Project, (iv) Financial Services Project, and (v) Enterprise Support Project, and fifteen discrete subactivities spread across the country.

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 majority of activities were completed within the five-year timeframe. The GoM has assigned a dedicated resource within the Head of Government’s office to track sustainability of the first compact projects. For the Artisan and Fez Medina Project, completion of construction within the compact term was not feasible following implementation delays. Construction is now advancing, and MCC continues to engage with the GoM to ensure a sustainable management framework is in place.

The GoM has also 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. MCC has completed eight independent evaluations—six performance and two impact evaluations — covering the results of a broad range of the Morocco Compact’s projects and activities. Independent evaluators generally confirmed satisfactory implementation of compact activities.

The evaluations are in the process of being added to the [Evaluation Catalog \(https://data.mcc.gov/evaluations/index.php/catalog\)](https://data.mcc.gov/evaluations/index.php/catalog) on MCC’s website. Below are the completion rates of output and outcome indicators for the activities whose evaluations have now been posted:

Completion Rates for 2007 Morocco Compact Activities

Project/Activity	Completion Rate of Output and Outcome Indicators*
Small Scale Fisheries Project	103%
Financial Services Project	75%
Plantation Expansion in Rain-Fed Areas Activity	78%
Artisan Promotion and Production and Fez Medina Activities	83%
Functional Literacy Activity	93%
Enterprise Support to Small and Medium Enterprises and Income-Generating Activities	84%
Rain-Fed Olive Tree Rehabilitation Activity	113%

*at compact end date