



**MILLENNIUM
CHALLENGE
CORPORATION**
REDUCING POVERTY THROUGH GROWTH

FRANCES C. MCNAUGHT
VICE PRESIDENT, CONGRESSIONAL AND PUBLIC AFFAIRS

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform Congress of our intent to provide funding of up to US\$697,500,000 for a Millennium Challenge Compact with the Kingdom of Morocco.

Allocation and obligation of funds may be incurred on or after fifteen days from the date of notification. MCC intends to obligate pursuant to Section 605 of the Millennium Challenge Act of 2003 (the "Act") up to US\$665,100,000 when the Compact enters into force. These funds will be disbursed on a periodic basis over the course of the Compact subject to satisfaction of relevant conditions precedent.

In order to accelerate implementation of the Compact, MCC will obligate up to US\$32,400,000 of the total amount when the Compact is signed, pursuant to 609(g) of the Act.

The attached notification is being sent to Congress on August 9, 2007.

Sincerely,

Frances C. McNaught
Vice President
Congressional and Public Affairs

Enclosure:
As stated

CONGRESSIONAL NOTIFICATION
August 10, 2007

Pursuant to [Section 515 of the Foreign Operations, Export Financing and Related Programs Appropriations Acts of 2005 and 2006 (Public Laws 108-447 and 109-102)] the Millennium Challenge Corporation (“MCC”) wishes to notify the Congress of its intent to enter into a Millennium Challenge Compact (“Compact”) with the Government of the Kingdom of Morocco (“GoM”) through which MCC will grant up to US\$72,000,000 of FY 2005 Millennium Challenge Account (“MCA”) funds and US\$625,500,000 of FY 2006 MCA funds for a combined total amount of \$697,500,000. Of the total amount, MCC intends to obligate up to US\$665,100,000 under Section 605 of the Millennium Challenge Act of 2003 (the “Act”) when the Compact enters into force. These funds will be disbursed on a periodic basis over the course of the Compact subject to satisfaction of relevant conditions precedent. In order to accelerate implementation of the Compact, MCC will obligate up to US\$32,400,000 of the total amount (“Compact Implementation Funding”) when the Compact is signed, under Section 609(g) of the Act.

MCA funds provided under the Compact will support the following projects and activities:

1. Fruit Tree Productivity Project;
2. Small Scale Fisheries Project;
3. Artisan and Fez Medina Project;
4. Financial Services Project;
5. Enterprise Support Project
6. monitoring and evaluation; and
7. program administration and oversight.

Under Section 610(a) of the Act, the appropriate Congressional committees were notified on June 8, 2007 of MCC’s intent to commence negotiations with Morocco. Key elements of the Compact are set forth in the accompanying summary. MCC will provide the final text of the Compact no later than 10 days after the execution of the Compact, as provided in Section 610(b) of the Act.

MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION AND THE GOVERNMENT OF THE KINGDOM OF MOROCCO

The Board of the Millennium Challenge Corporation has approved a five-year, \$697.5 million Millennium Challenge Compact to reduce poverty and increase economic growth in the Kingdom of Morocco. The program seeks to stimulate economic growth by increasing productivity and improving employment in high potential sectors including investments in fruit tree productivity, small-scale fisheries, and artisan crafts. Small business creation and growth will be supported also by investments in financial services and enterprise support. The Compact components include:

Fruit Tree Productivity Project (\$300.90 million)

The objective of the Fruit Tree Productivity Project is to stimulate growth in the agricultural sector and reduce volatility of agricultural production. In rainfed areas, the project will rehabilitate 135,000 acres of existing olive trees and expand production of olives, almond and fig trees on 296,000 acres. This component aims to move small farms from high water-use, low-value cereal grains to low water-use, high-value and drought resistant commercial fruit tree species. In irrigated areas, the project will support improvements to increase irrigation efficiency and productivity of olive and date trees across 102,000 acres.

Small-Scale Fisheries Project (\$116.17 million)

The Small-Scale Fisheries Project will transform the small-scale fisheries sector by modernizing the means of catching, storing, and marketing fish, thereby improving the quality of the catch, maintaining the value chain, and increasing fishers' access to both local and export markets. MCC funding will be used to construct up to 20 landing sites along both coasts, to construct or upgrade fishery facilities in up to 13 major ports, and to build or re-build up to 6 modern wholesale markets in selected cities. In addition, the project will provide technical assistance and training required to ensure proper management and to partially fund the acquisition of fresh-fish transportation equipment by mobile fish vendors. A key component of the project will establish a network of Marine Protected Areas and increase monitoring efforts to ensure the sustainable use of fish resources.

Artisan and Fez Medina Project (\$111.87 million)

The Artisan and Fez Medina Project seeks to stimulate economic growth by leveraging the links between the craft sector, tourism, and the Fez Medina's rich cultural, historic and architectural assets. This project will strengthen the national system for literacy and vocational education to benefit artisans and the general population, in particular women and girls. MCC funding will be used to enable artisans to increase the quality of their goods by supporting access to training in modern production techniques and business management, as well as access to bank or micro-credit loans to invest in modern kilns and pottery workshops. To serve local residents, attract tourists and increase artisan sales in Fez, MCC assistance will also support the design and reconstruction of historic sites within the Fez Medina, including the funding of an international architectural design competition for two of the most prominent sites.

Financial Services Project (\$46.20 million)

The Financial Services Project seeks to increase financial services for micro-enterprises in Morocco by addressing the key constraints to the development of a broader, deeper, and market-based financial

sector. MCC funding will support an investment in the subordinated debt tranche of Jaida, a non-bank financial institution launched in late 2006 to lend to the Moroccan micro-credit sector. The project will also analyze the regulatory and operational requirements to allow micro-credit associations to change their legal structure in order to offer savings and other non-credit financial services to their customers. MCC assistance will also support investments and technical assistance to improve efficiency and transparency in the financial sector in an effort to lower borrowing costs on a sustainable basis for micro-enterprises.

Enterprise Support Project (\$33.85 million)

The Enterprise Support Project addresses two economic priorities: to reduce high unemployment among young graduates and to encourage a more entrepreneurial culture. The objective of this project is to improve the outcomes of two existing high-priority Moroccan government initiatives, Moukawalati and the National Initiative for Human Development (INDH). Moukawalati is a relatively new national program initiated to drive Morocco's businesses to be more competitive in the face of globalization and to address high youth unemployment rates. The INDH is a multi-year Government initiative aimed at creating opportunities for the poor, vulnerable, and socially excluded.

This project is structured in two phases. First, a set of three pilots will measure the impact of several training initiatives offered to current beneficiaries of these Government programs who would receive further training and technical assistance designed to increase their rate of survival. Second, if results reported by an independently conducted evaluation show success, training initiatives will be expanded beginning in Year 3 of the Compact. In addition, the Government agency sponsors of the programs would receive support to help them better manage the selection and training processes for these entrepreneurs.

The Compact also includes approximately \$88.5 million for monitoring, evaluation, program administration and oversight.

Expected Results

The Program has the potential to stimulate growth in high potential sectors. The Program is expected to increase Morocco's GDP by approximately \$118 million annually and directly benefit a total of 600,000 families.

- The **Fruit Tree Productivity Project** is expected to improve the livelihoods of approximately 136,000 farm households in rural areas of the northern, central and southern regions of Morocco. In addition, terrace construction is expected to create economic opportunities for approximately 11,000 agricultural laborers.
- The **Small-Scale Fisheries Project** is expected to benefit approximately 24,000 small-scale fishers, boat owners, wholesale fish merchants, and mobile fish vendors. It is estimated that mobile fish vendor net incomes will increase approximately 62%, enabling the vendors to exit subsistence-level poverty.
- The **Artisan and Fez Medina Project's** literacy and training program is expected to benefit 1,000 faculty and approximately 120,000 students by the end of the Compact term. It is expected that 50,000 master artisans will be trained in new design and production methods by the end of the Compact term. This project's activities are expected to reduce poverty by

stimulating the Medina's main industries, tourism and artisan production, and are estimated to benefit approximately 20,000 low-income workers in the Fez Medina.

- With the **Financial Services Project**, MCC projects that up to 174,000 additional clients of micro-credit associations will benefit by the end of the Compact term. These people would borrow and invest in small, high-return investments to significantly increase their incomes.
- During the pilot phases of the **Enterprise Support Project**, approximately 600 entrepreneurs will receive training. If the pilot succeeds and is expanded, up to 4,000 enterprises created under Moukawalati could receive technical assistance and up to 2,000 INDH groups could receive similar support.