



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to increase and extend assistance under the Millennium Challenge Compact with the Government of Morocco. The increase and extension are needed to account for delays related to COVID-19.

We have also attached a report and justification that contains a detailed summary of the proposed increase in assistance under the Compact and a copy of the full text of the amendment to the Compact. In addition, we will publish a detailed summary, full text, and justification of the proposed increase in assistance under the Compact in the Federal Register and on MCC's website.

If you or your staff would like to arrange a meeting to discuss the increase in assistance, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov.

The attached notification is being sent to the Congress on October 6, 2021. The assistance may be increased on or after 15 days from the date of this notification.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

October 6, 2021

PROGRAM: Eligible Countries
APPROPRIATIONS CATEGORY: Fiscal Year 2020 Program Funds
OBLIGATION AMOUNT: \$10,500,000

Pursuant to Division K, Title VII, section 9003 of the Consolidated Appropriations Act, 2021 (P.L. 116-260), Division G, Title III of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) and section 609(i) of the Millennium Challenge Act of 2003, as amended (the “Act”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to extend for a period of nine months the Millennium Challenge Compact with the Government of Morocco that was in effect as of January 29, 2020 (the “Compact”) and to amend the Compact to obligate an additional amount not to exceed \$10,500,000 under section 605 of the Act. The planned extension and increase are for the purpose of accounting for Compact delays related to COVID-19. The Compact would otherwise terminate in accordance with its original terms on June 30, 2022 but will be extended to March 31, 2023.

REPORT AND JUSTIFICATION OF THE PROPOSED EXTENSION OF AND INCREASE IN ASSISTANCE OF THE MOROCCO COMPACT DUE TO COVID-19

Background

The Millennium Challenge Corporation's (MCC) \$450 million Compact with the Government of Morocco supports two Moroccan government priorities that will contribute to economic growth and investment in the country: employability and land productivity. The Compact entered into force on June 30, 2017. By supporting policy and institutional changes that will improve Morocco's investment environment and by creating models for engagement with the private sector, the Compact addresses both the supply and demand sides of the labor market.

The Government of Morocco will make a financial contribution of more than 15 percent of the Compact value to ensure the completion of project activities.

The Compact is completing two projects:

- The **Education and Training for Employability Project** is comprised of two activities:
 - The *Secondary Education Activity* aims to improve the quality of secondary education by piloting an integrated, participatory approach to school improvement in 90 schools across three regions of Morocco. The activity is investing in reforms to school governance, coupled with targeted investments in infrastructure, technology, and training for teachers and school administrators. The activity is also investing in improvements to the education management information system.
 - The *Workforce Development Activity* aims to increase the quality and relevance of technical and vocational education and training (TVET) by supporting private sector-driven governance and construction or rehabilitation of 15 training centers, together with targeted investments in policy reform. This activity is also investing in improvements to job placement services through a results-based financing mechanism as well as improvements to the availability and analysis of labor market data.
- The **Land Productivity Project** is comprised of three activities:
 - The *Governance Activity* aims to improve land governance and to address land market constraints to investment and productivity through the development of a National Land Strategy and action plan, and by supporting priority measures to address those constraints, including those focused on strengthening women's land rights.
 - The *Rural Land Activity* is developing a faster and more inclusive process for granting titles on irrigated collective lands to individual men and women smallholder farmers and their families who currently farm the land.
 - The *Industrial Land Activity* is piloting a market-driven public-private partnership (PPP) approach to industrial zone development and management to foster sustainability and private sector investment.

Achievements to Date

For the **Education and Training for Employability Project:**

- Grants have been signed and construction is underway for 15 TVET centers to provide high-quality technical training in response to private sector demand.
- Training and job placements targeting women and vulnerable youth are underway at eight job placement agencies using results-based financing grants.
- Ninety secondary schools in three regions of Morocco are receiving infrastructure and equipment upgrades and support in developing school improvement plans through a participatory process that involves the entire school community. The school improvement plans are being implemented using discretionary funds provided by the Government of Morocco.
- Training of 6,000 teachers and administrators is ongoing using 26 training modules developed with support from the Compact.
- The Compact has supported improvement of the Government of Morocco’s information system, expanding access to school-related data and its use in decision-making. MASSAR Mobile, a mobile application that gives students, parents, teachers, and administrators access to real-time data on grades, absences, homework, and lesson plans that was launched this year.

For the **Land Productivity Project:**

- The Government of Morocco and MCA-Morocco, the entity implementing the Compact in Morocco, signed a PPP agreement with “Bouznika Park Industries,” representing the first industrial park PPP ever in Morocco.
- The FONZID Grants Facility has awarded \$30 million to improve and expand, or newly develop, nine industrial zones across Morocco, leveraging an additional investment of \$38 million by the project sponsors.
- An improved process for converting collective land to private ownership has been developed and is being tested over 66,000 hectares. Household and plot surveys have been completed and parcel maps prepared for over half of the project area.
- The Compact is supporting implementation of important legal reforms that guarantee women’s rights to inherit collective land within irrigated areas, and explicitly recognize women’s rights to participate in decision making and to share in the proceeds of collective lands, acknowledging the equality between men and women established by the Constitution of Morocco.

Impact of COVID-19 on the Morocco Compact

COVID-19 has significantly slowed Compact implementation. In March 2020, the Government of Morocco imposed an almost complete lockdown and border closure for three months after the first COVID-19 cases were identified in Morocco. The offices of MCA-Morocco were closed from March to June 2020, limiting staff to telework. Construction works were halted for at least three months, as were all in-person activities such as public consultations, trainings, and other technical assistance activities. Travel restrictions and border closures disrupted global supply chains and access to necessary supplies and equipment, and prevented in-person oversight of Compact work by MCC and its consultants. Although some restrictions were eased during the summer, renewed COVID-19 outbreaks during the fall and winter led to targeted lockdowns in several Moroccan

cities. Lockdowns and restrictions were in effect for over a year, including a national curfew and a suspension of air travel with over 50 countries, including most of Europe.

Justification for the Proposed Increase of Assistance

Despite strong efforts by the Government of Morocco and MCA-Morocco, delays related to COVID-19 and measures to mitigate its spread have been felt across the Compact and have put several components at risk of not being completed without the recommended nine-month extension.

Infrastructure

- Private Sector-Driven TVET Sub-Activity (Charaka Fund) – Restrictions on in-person meetings and on travel to and within Morocco, as well as continued uncertainty about access to project sites delayed final designs and the start of construction, exacerbating completion risk to a degree that construction of an estimated seven of the 15 TVET centers will not be completed before the end of the Compact term, which is currently June 30, 2022.
- Integrated School Improvement Model Sub-Activity – School closures in April 2020 slowed design activities and completely halted construction for at least three months. The Ministry of Education partially reopened schools in the fall of 2020, allowing construction to resume, but strict physical distancing and other COVID-19 measures continue to slow work. With construction at 56 schools in two regions (Fez-Meknes and Marrakesh-Safi) just beginning, and continued uncertainty related to any future COVID-19 restrictions, there is potential completion risk for this sub-activity within the existing Compact term.
- Industrial Zone Demonstration Project and Transaction Financing – COVID-19 has delayed procurements, studies, and works such that, under the facility to finance market-driven industrial zones, only three of the nine grants are currently anticipated to be completed by the end of the current Compact term. In addition, although construction of all major infrastructure works for the three industrial zone demonstration sites is underway, COVID-19 has aggravated already high completion risks. The wastewater treatment plant at Had Soualem is projected to be completed exactly at the end of the current Compact term, and three other major contracts have fewer than three months float before Compact expiration. MCA-Morocco’s contractors have warned that these timelines are at high risk of slipping further due to disruptions in importing materials from abroad and other ongoing COVID-19-related delays.

Policy Reforms and Technical Assistance

- Private Sector-Driven TVET Sub-Activity – International firms and consultants have been unable to travel to Morocco to provide needed technical assistance to Charaka Fund grantees. At the earliest, some Compact-supported TVET centers will begin enrolling students in fall 2022, just after the current end date of the Compact. A Compact extension would allow a critical window of time for trouble-shooting and technical assistance to better position this sub-activity to achieve its desired impacts.
- Integrated School Improvement Model Sub-Activity – The pandemic affected all elements of this sub-activity, but the school improvement plans and teacher trainings suffered the

greatest disruptions. The onset of the pandemic halted work on school improvement plans and most were suspended during the six-month period of school closures. Teacher trainings were delayed by more than five months because training modules had to be developed remotely and adopted to a mix of in-person and remote courses.

- Industrial Zone Demonstration Project and Transaction Financing – Economic uncertainties resulting from the pandemic caused MCA-Morocco to suspend tenders for two of the three PPP transactions. MCA-Morocco restructured these two PPPs based on learning from the first tender and feedback from prospective bidders and relaunched the opportunity in late March 2021. However, the economic slowdown increases the risk that they will not successfully attract private partners. The Compact extension would allow time to see improved economic prospects and increase the likelihood of finding the right private partners to develop and manage these sites.
- Rural Land Activity – COVID-19 lockdowns completely halted Rural Land Activity field operations for five months (March – September 2020), leaving an estimated 22 percent of the 66,000 hectares at risk of not being completed before the Compact’s current expiration date. Operations have resumed but continue to be slowed significantly by the need to organize smaller and more numerous community meetings to reduce the risk of COVID-19 transmission.

A nine-month extension, while not eliminating all completion risk, should assure the completion of most activities. MCC believes that a nine-month extension is appropriate to address the portion of completion risk that is attributable to delays caused by COVID-19. The Compact extension should also allow MCC personnel and consultants to reinitiate travel to Morocco to provide in-person oversight and technical assistance to address quality and results risks that have also increased due to the pandemic. Finally, MCC believes that the additional time will increase the likelihood that MCA-Morocco and the Government of Morocco will successfully adopt and implement the reform elements of the Compact and establish a more solid foundation for sustaining these reforms post-Compact.

The additional MCC funding will be used to cover additional program administration and related oversight costs associated with extending the Compact’s term.