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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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Rome, 10-11 September 2003

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

KINGDOM OF MOROCCO

FOR THE

LIVESTOCK AND RANGELANDS DEVELOPMENT PROJECT
IN THE EASTERN REGION – PHASE II

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CURRENCY EQUIVALENTS

Currency Unit	=	Moroccan dirham (MAD)
USD 1.00	=	MAD 10.3
MAD 1.00	=	USD 0.097

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

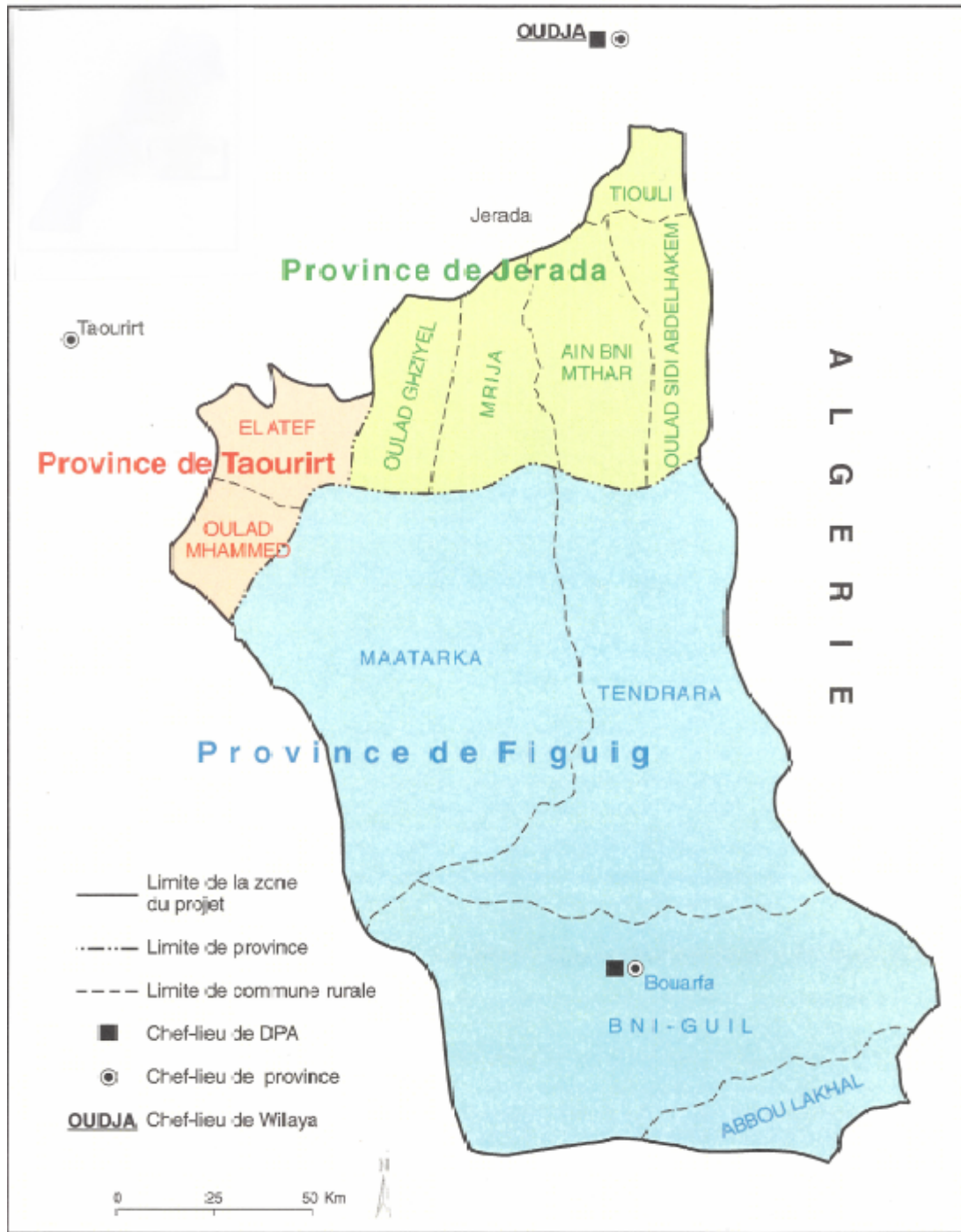
CDP	Cooperative Development Plan
CLG	Core Learning Group
CT	<i>Centre de Travaux</i>
CU	Coordination Unit
DWF	Department of Water and Forestry
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
O&M	Operation and Maintenance
PDA	Provincial Directorate for Agriculture
PMU	Project Management Unit
RUA	Range Users Association

GOVERNMENT OF THE KINGDOM OF MOROCCO

Fiscal Year

1 January - 31 December

MAP OF THE PROJECT AREA



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

KINGDOM OF MOROCCO

**LIVESTOCK AND RANGELANDS DEVELOPMENT PROJECT IN THE EASTERN
REGION – PHASE II**

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Kingdom of Morocco
EXECUTING AGENCY:	Ministry of Agriculture and Rural Development
TOTAL PROJECT COST:	USD 9.24 million
AMOUNT OF IFAD LOAN:	SDR 4.55 million (equivalent to approximately USD 6.36 million)
TERMS OF IFAD LOAN:	20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum, as determined by the Fund annually
CONTRIBUTION OF BORROWER:	USD 2.37 million
CONTRIBUTION OF BENEFICIARIES:	USD 170 800
OTHER:	USD 332 700
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)

PROJECT BRIEF

Who are the beneficiaries? The main beneficiaries are the poorer livestock producers and their families of the 11 000 members of cooperative range users associations in the project area (about 77 000 people). It is estimated that a minimum of 3 000 people will directly benefit from physical interventions such as the creation of water points, forage plantations, rangeland rehabilitation, and other production-related activities such as animal fattening units. Promotion of income-generating activities and support to local financial services are estimated to reach 1 500 beneficiaries, including 100 microentrepreneurs. The number of beneficiaries will be higher, however, because each operation, particularly microenterprise, will likely benefit more than one person. This latter component will benefit mainly target groups that cannot survive solely on livestock production. Income-generating activities for women have not been well developed in the area due to limited access to rural financial services. Thus women and girls represent a major target group (estimated at 50 000) in addressing gender issues during this second phase. Unemployed youth, including school graduates, have been identified as another potentially important target group that will benefit directly from project activities. Given the collective ownership of range resources and the support that will be provided to cooperatives, practically all of the population (about 100 000) will benefit directly or indirectly from project activities.

Why are they poor? Poverty in the region derives from the incompatibility of current production practices with the rational use of natural resources, which results in uncontrolled and over-exploitation of the natural resource base. It is also the result of the intrinsic poverty and fragility of the soil, which are further worsened by overgrazing and erosion. The limited rainfall (from 160 mm in the south to 250 mm in the north) and the consecutive drought periods observed over the last decades also constitute major constraints on development of the region, which is based almost exclusively on extensive livestock production. Finally, limited human and budgetary resources of the administration's field structures in the area do not allow for adequate technical-support coverage of the population or application of a proactive participatory approach to rural development.

What will the project do for them? The project will be implemented over a period of six years, with the principal objective of increasing the income and improving the living conditions of the rural poor population. It will do so through local community empowerment favouring sustainable rehabilitation and management of natural resources and the creation of new opportunities for the most vulnerable groups (including small-scale livestock producers, women and unemployed youth), thus capitalizing on the Eastern Region's potential. Building on the achievements of the first phase and using design-sensitive targeting modalities, the project aims to: (i) strengthen the capability of grass-roots organizations to establish a viable participatory mechanism through which the target group can drive the identification and implementation of investment opportunities; (ii) promote adapted livestock production systems, leading to higher value added to animal products through improved quality, local processing, and improved linkage to potential markets; and (iii) diversify income sources through promotion of income-generating activities and improved access to technical, marketing and financial services.

How will beneficiaries participate? The project will focus primarily on an ascending approach, with the cooperatives as main interlocutors and, through them, their members and families. The local administrative structures of the Ministry of Agriculture and Rural Development will assist cooperatives in formulating development plans, mobilizing the required financing, and implementing them. The exact composition of the plans will vary according to the constraints and priorities of each cooperative. Activities could range from specific training programmes to income-generating activities, creation of water points and/or establishment of land-resting closures. With the support of the provincial and regional administrations, the project will help each cooperative present its plan to existing local and provincial technical committees to be incorporated into regional development plans annually. These will serve as official channels for institutionalizing the plans and facilitating the identification of financing and implementation partners in the public and private sectors.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
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KINGDOM OF MOROCCO
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EASTERN REGION – PHASE II**

I submit the following Report and Recommendation on a proposed loan to the Kingdom of Morocco for SDR 4.55 million (equivalent to approximately USD 6.36 million) on intermediate terms to help finance the Livestock and Rangelands Development Project in the Eastern Region – Phase II. The loan will have a term of 20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. **Structure of the economy.** Morocco's gross domestic product (GDP) was estimated at USD 33.5 billion in 2000, giving a GDP per capita of about USD 1 170. Despite rapid industrialization and a manufacturing sector attracting foreign investment, annual economic growth still depends largely on the performance of the agricultural sector. With agriculture providing a living for approximately 40% of the labour force, the sector also has an important effect on domestic demand. There is a large and well-developed service sector, dominated by commerce and tourism, which employs about 35% of the workforce. The export base is relatively broad; the country is the world's largest exporter of both raw and processed phosphates, and other major exports include textiles, clothing, shoes, fruit, vegetables, and fresh and canned fish. Food imports can be substantial, but fluctuate according to the size of annual national production. Remittances from Morocco's estimated 1.7 million immigrant workers are also an important source of foreign exchange earnings.

2. **Economic performance.** Morocco's GDP has fluctuated significantly in recent years, influenced by the performance of the rainfed agricultural sector. Average real GDP growth in the period 1990-1999 was only 2.3%, with almost three out of five years struck by drought. In 1996, growth soared to a record of more than 11% due to a bumper cereal crop, but decreased again by about 2% in 1997. Due to an average population growth rate of approximately 2% per annum from 1990 to 1999, the gross national product (GNP) per capita annual growth rate stood at -0.9% in 2000.

3. **Agricultural sector.** Some 8.6 million ha of Morocco's total territory (12%) are cultivated each year. Further, about 16% of the cultivated areas are irrigated, about half with modern equipment. Forests cover about 9 million ha (or 13% of the total) and rangelands about 53 million ha (75%). About one third of the rangelands are said to suffer from overgrazing. Due to its semi-arid climatic conditions, agricultural production depends largely on unreliable rainfall. Rainfed agriculture covers almost 85% of the cultivated area. In addition, high population growth over the last decades has led to reduction of farm sizes and extension of agriculture into forests and rangelands that are often unsuitable for crop production and prone to erosion and soil degradation.

¹ See Appendix I.

4. **Agricultural production.** The prevailing farming systems are varied, ranging from subsistence farming to market-oriented production. However, only a limited part of the agricultural land is used to its full potential, and many options are available to increase agricultural productivity. Cereals, which are grown on 68% of the cultivated area, mainly under rainfed conditions, have a predominant influence on agricultural performance. Production fluctuates, depending on rainfall, from almost 10 million tonnes to less than 2 million, for an average of about 6 million tonnes. The irrigated sector produces export crops such as citrus, tomato, early potatoes and table olives.

5. **Fisheries.** With its long coastline along the Mediterranean and Atlantic, Morocco has an exclusive economic zone of more than 1 million km². Fish production reaches about 625 000 tonnes annually, with a value added of about MAD 7.5 billion. The sector provides about 400 000 jobs, of which 120 000 are directly linked to fishing and processing. Export earnings from fisheries amount to about MAD 6 billion per annum and represent more than 50% of export earnings in the food sector.

6. **Agriculture and rural development.** Morocco's rural areas are characterized by poor socio-economic infrastructure, low levels of education, inadequate support services and an ageing farm population. Farmers are thus not equipped to face the challenges of an economy that is opening up to free market competition. The major causes of insufficient productivity in the agricultural sector are: (i) degradation of natural resources; (ii) rural poverty; (iii) insufficient social infrastructure; (iv) limited involvement of the rural population, especially women, in the development process; (v) poor use of the Government's human and financial resources; and (vi) the almost non-availability of rural financial services for small farmers and the rural poor. Natural resources are affected by increasing degradation. Apart from the broad alluvial plains, most of Morocco's soils are fragile and subject to erosion. It is estimated that 35% of the rural population live in areas of serious degradation, i.e. in forest and mountain areas and on rangelands.

B. Lessons Learned from Previous IFAD Experience

7. With the exception of the first one, all IFAD-financed projects in Morocco to date have involved local-area development operations – addressing the most serious constraints on crop and livestock production systems, natural resources management, credit delivery and irrigation. Social infrastructure, including rural roads, water supply, and human health, was an important component of these projects, which achieved good results in physical terms and generally met targets set at appraisal. A number of institutional constraints were encountered during implementation, and coordination among implementing line agencies proved difficult. Recently developed and future projects will focus on the central objective of creating and supporting sustainable grass-roots organizations that will gradually assume responsibility for linking local development with the existing institutional framework. Experience has shown that in community-based development projects, by their very nature, many activities such as rangeland improvement, small-scale irrigation development, etc. cannot be restricted to a target group defined by income levels, food security, farm size or livestock numbers. Under these conditions, targeting will be applied at three levels. Projects will focus on the poorer areas within specific zones. Within these areas, the focus will be on the poorer communities. Further, project activities will be designed to favour the poorest within these communities. A major issue encountered by projects is the sustainability of project activities after loan closing. Sustainability will be improved by: (i) linkage of representative local institutions with local socio-political structures; (ii) contractual arrangements with the population concerned that cover post-project operation and maintenance (O&M) costs of investments; and (iii) creation of viable rural financial services.

C. IFAD's Strategy for Collaboration with Morocco

8. **Morocco's policy for poverty eradication.** The Government's social development programme operates on four fronts: education, health, rural development, and mechanisms to improve flexibility in the mainly urban labour market while strengthening the social safety net. As for rural development, the Government has developed a long-term agricultural and rural development strategy for 2020. To a large extent, this is compatible with the Fund's strategy because it relies on the initiative of rural populations and on an approach based on participation, responsibility and partnership with the main actors in rural areas. It aims at integrating activities locally in various sectors or subsectors through decentralization. The main elements of the strategy were incorporated into the Government's five-year *Plan 2000-2004* and include: (i) boosting agricultural production to enhance food security and promote agricultural exports; (ii) increasing agricultural and non-agricultural rural employment and income; (iii) improving education and vocational training in rural areas as a basis for employment generation; (iv) fostering the policy of decentralization and devolution (or *déconcentration*, to use the official terminology); (v) actively supporting participatory approaches and developing partnerships and contractual arrangements with rural communities for the implementation of development programmes; (vi) developing and establishing, on a participatory basis, a credit system and local development funds adapted to rural development; (vii) setting up a monitoring system that involves all actors in the rural development process, including beneficiaries; and (viii) adapting the regulatory and legal framework to the needs of rural development activities.

9. **IFAD's strategy in Morocco.** As it is related to poor resource endowment in rainfed and mountainous areas, poverty in Morocco varies from region to region. IFAD's specific target groups are small and marginal farmers and artisanal fishermen, the landless, wage earners, unemployed youth, and rural women. The key elements of IFAD's strategy in Morocco, as outlined in the country strategic opportunities paper (COSOP) approved by IFAD management in 1999, consist in contributing to Government's efforts to: (i) focus on community-driven rural development needs rather than on commodity-specific agricultural development; (ii) promote food security at national and household levels through diversification of production by supporting commodities with a comparative advantage on national and international markets; (iii) further consolidation and strengthening of devolved, decentralized planning and implementation through support for the creation and strengthening of local institutions and grass-roots organizations, together with devolution of human and financial resources from the centre to the regions; and (iv) improve access of rural poor households to productive resources, including land, water, technological know-how and financial services. IFAD assistance will target mountainous areas, low-potential rangelands and low-potential rainfed areas of the arid south. Participation, with a focus on gender, is a core element of this strategy.²

D. Project Background and Justification

10. **Background.** The Livestock and Rangelands Development Project in the Eastern Region (the original title read "Pasture" rather than "Rangelands") was cofinanced by IFAD, the African Development Bank (AfDB), the African Development Fund (AfDF) and the Government of Morocco. The Eastern Region is the most important zone for pastoral development and one of the largest disadvantaged areas in Morocco. It had not benefited in the past from significant interventions financed by the Government or other external donors. This first phase of the project emphasized the interaction between agro-ecological and socio-economic factors and the potential replicability of project actions in similar agro-ecological zones threatened by desertification in the Near East and North Africa region. It was designed as a pilot project and was later used as a model in Jordan and Syria.

² See Appendix III.

11. IFAD thrusts reflected in the project design included: targeting the poorest among the beneficiaries; emphasis on a participatory approach; creation and strengthening of grass-roots institutions (range users associations – RUAs); focus on natural resource management; and improvement of living conditions for subsistence pastoralists, while reversing the present trend of degradation of the natural resource base. The strategy was to improve and sustain the productivity of extensive grazing systems by emphasizing improved management of commonly owned natural resources. RUAs would be the grass-roots organizational mechanism for introducing proven technical solutions in rangeland improvement and livestock development. These grass-roots institutions, made up of homogeneous ethnic groups, would ensure that full consensus of members was reached on rational use of the rangelands and that related infrastructure would be appropriately maintained. The project was to benefit 62 000 beneficiaries, including rural women.

12. In 2001, the Near East and North Africa Division requested the Office of Evaluation and Studies to undertake an interim evaluation of the project. After preparing a methodology paper and identifying the core learning group (CLG) composed of all national and local actors involved in the project, the Office conducted a field mission in October 2001. The results and recommendations were presented during a workshop in Morocco in February 2002, leading to a conclusive agreement among all members of the CLG, or the agreement at completion point. This exercise revealed a high degree of satisfaction among beneficiaries regarding the impact of the project on their livelihoods.

13. **Justification.** The evaluation showed that the first phase had demonstrated an impact in four major areas: (i) it increased beneficiary *knowledge and awareness* of the importance of collective action, through cooperative work, in the rehabilitation and improved productivity of the natural resource base that constitutes the basis of their livelihoods. It also led to better ownership by beneficiaries of appropriate technical and managerial practices; (ii) it increased *livestock ownership and gross livestock margins* of small and medium herders in normal years. Under consecutive years of drought, however, this group could not always maintain an economically viable herd size. This indicates the need for safety net measures or access to alternative sources of income for this category of herders, (iii) *a positive environmental impact* was achieved where land-resting and seasonal range closures were successfully implemented, in the knowledge that land degradation is one of the crucial dimensions of rural poverty in the region, and (iv) it *contributed to local institution-building* based on available ‘social capital’ (lineage and kinship networks) through the creation of range users associations owned and managed by beneficiaries. Institutional weaknesses were identified, however, that would require further support and strengthening. Thus the consensus among CLG members was that a second phase was needed to consolidate the achievements of the first phase and to further valorize the productive assets and potential of the Eastern Region.

14. **Rationale.** The proposed Phase II is fully compatible with the Government’s rural development strategy for 2020, which emphasizes development of the traditional pastoral systems characterized by a high incidence of poverty. It also reflects the main thrust of IFAD’s strategy in Morocco, which is based on community-driven rural development; diversification of production systems and sources of income; decentralization and strengthening of local institutions; and improved access to resources such as land, water, support services and financial capital. A further, specific reason for a second phase is the need to consolidate the achievements of and investments in the first phase. Another is the need to create new economic opportunities to sustain the incomes of the most vulnerable groups, especially small livestock producers, women and unemployed youth, in view of the recurrent droughts over the last few years. This natural phenomenon, with its adverse socio-economic and environmental impacts, is becoming structural and must be addressed with innovative risk-management approaches, rather than the crisis-management approaches of the past.

PART II - THE PROJECT

A. Project Area and Target Group

15. **Location.** The project area covers 11 communes in the provinces of Figuig, Taourirt and Jerada. These communes cover a total area estimated at 38 000 km², with a population of about 100 000 inhabitants, including the urban area of Bouarfa. About 3.7 million ha of the project area are in pasture and forest – slightly more than 95% of the total – and about 150 000 ha in arable land.

16. **Livestock production systems.** Breeding of sheep and goats on the rangelands is the dominant economic activity, and production systems vary primarily according to the size of the herds. The participatory rural appraisal, carried out during formulation of the second phase, distinguishes among small owners, with less than 20 head, who have been slowly migrating to the nearby urban centres, owners with less than 100 head, who need supplementary sources of income to survive financially, and large-scale owners with more than 100 head. Animal feeding is based on rangeland grazing complemented by crop by-products such as barley.

17. **Target groups.** The population of the project area is among the poorer in the Eastern Region. Some 80% of the 100 000 inhabitants in the 11 communes live in rural areas. Rural exodus has been accelerating due to the repeated periods of drought. In the project area, job opportunities for those not involved in livestock production include work as herd shepherd, stable helper or manual labour. In general, however, people need more than one source of income to survive. The population of women is estimated at more than 50 000, including girls, and consists of two groups: those living on the rangelands and those in or near urban centres. The second group is becoming increasingly more vulnerable. The majority of women are either illiterate or have a minimum level of literacy and own few assets. Nevertheless, their know-how in activities such as artisanal work and poultry production is broad. Surveys have also demonstrated women's willingness to learn and undertake new activities if they have access to rural financial services. Unemployed youth, including school graduates, have been identified as another potentially important target group that will benefit directly from project activities.

18. **Potentialities.** The large size of the area (3.8 million ha) compensates, to some extent, for the intrinsic low productivity of the land. More than 140 million fodder units are available, and half a million animals are sent to market each year. There is also a broad range of vegetable and animal resources, including forage crops of perennial race (mainly alfa), aromatic and medicinal plants (mainly rosemary and *armoïse blanche*), and food products (mainly truffles). Further, there is a long tradition of sheep breeding on the range and the *Béni guil* is a species of sheep known to have considerable adaptation and performance capabilities. Finally, the 43 cooperatives established under the first phase are operating reasonably well and constitute a definite asset as grass-roots organizations and interlocutors for the project in the second phase.

19. **Constraints.** The main constraints consist in the multiplicity of laws and regulations concerning land tenure and the uncontrolled and abusive exploitation of natural resources in the region. In addition, the intrinsic poverty and fragility of the soil are further worsened by overgrazing and erosion. The limited rainfall (from 160 mm in the south to 250 mm in the north) and the successive drought periods observed over the last decades also constitute serious constraints. Finally, the very limited human and budgetary resources of the Ministry of Agriculture and Rural Development (MARD) field structures in the area – two Provincial Directorates for Agriculture (PDAs) in Figuig and Oujda and six *centres de travaux* (CTs) – do not allow for adequate technical backstopping coverage of the widely spread population.

B. Project Approach and Objectives

20. **Project approach.** Project implementation will focus primarily on an ascending approach, with the range users associations (cooperatives) as main interlocutors and, through them, their members and families. The local administrative structures of MARD will assist the associations in formulating cooperative development plans (CDPs), mobilizing the required financing, and implementing them. The exact composition of the CDPs will vary according to the constraints and priorities of each cooperative. Activities could range from specific training programmes to income-generating activities, creation of water points and/or establishment of land-resting closures. With the support of the provincial and regional administrations, the project will help each cooperative present its plan to the existing local and provincial technical committees to be incorporated into regional development plans annually. These will serve as official channels for institutionalizing the CDPs and facilitating the identification of financing and implementation partners in the public and private sectors.

21. **Objectives.** The principal objective of the project will be to increase the income and improve the living conditions of the rural poor population. It will do so through local community empowerment favouring sustainable rehabilitation and management of natural resources and the creation of new opportunities for the most vulnerable groups, thus capitalizing on the Eastern Region's potential. Building on the achievements of the first phase, the specific objectives include: (i) strengthening the capability of local public institutions and grass-roots organizations to establish a viable participatory mechanism through which the target group can drive the identification and implementation of investment opportunities; (ii) promoting adapted livestock production systems, leading to higher value added to animal products through local processing, and improved linkage to potential markets, and (iii) diversifying income sources through promotion of income-generating activities and improved access to technical, marketing and financial services.

C. Components

22. To achieve these objectives, activities grouped into the following three components will be implemented over a period of six years: (i) consolidation of institutional assets and acquired knowledge; (ii) partnership-building; and (iii) increased value added to production in the Eastern Region.

23. **Consolidation of institutional assets and acquired knowledge.** This component, which is central to the project, will play a decisive role in consolidating the achievements of the first phase from the institutional aspect and capturing previously generated and future information and knowledge. Activities have been grouped into five sub-components, including the required supplementary equipment and O&M costs for each.

- **Operationalization of the national rangeland and livestock strategy in the Eastern Region.** This sub-component aims to elaborate a master plan for sustainable management of rangelands and livestock development and to valorize production in the Eastern Region. The plan will identify all activities needed for the clarification of users rights under the present legal framework and any appropriate amendments, leading to a more rational use of national resources. Thematic issues will be analysed, including the legal framework governing the cooperative movement, in order to propose appropriate amendments related to pastoral cooperatives. Other strategic issues will be analysed, such as the carrying capacity of rangelands and the management of drought as a risk. Major themes will be debated in a workshop involving all actors from the public and private sectors. The master plan will then be translated into work programmes for the two PDAs in the project area.
- **Information and knowledge management.** This sub-component aims to capture information and knowledge generated during the first and second phases. It will contribute to the preparation of manuals and guidelines for: (i) improved rangeland management; (ii) creation and operation of RUAs and other community-based associations; and

(iii) dissemination of information on the Eastern Region, including the creation of a documentation centre linked to the MARD information and documentation network. The socio-territorial mapping of the project area, begun during the participatory rural appraisal, will be completed and incorporated into a Geographic Information System, to be used as a management tool.

- **Local capacity-building.** Conceptual and practical training in the participatory approach as well as logistic support will be provided under this sub-component to RUAs, their families and other community interest groups formed under the project (see paragraph 20). This will allow them to plan their own development, mobilize the required financing, and implement the activities they consider to be of priority through the formulation of CDPs.
- **Strengthening of MARD field structures.** The objective of this sub-component is to provide MARD field structures with the institutional support needed for smooth project implementation. Special training in the planning of activities, participatory diagnosis, implementation and monitoring will be provided to local government officials and field staff of MARD and other line agencies involved in project implementation.
- **Support to project management.** This sub-component will provide logistic and institutional support to the project management unit (PMU), which is responsible for project implementation. It will contribute to strengthening the existing coordination unit (CU) in the PDA of Figuig and will create another in the PDA of Oujda. Additional staff will be redeployed or recruited on a contractual basis to reinforce the two CUs under the PMU.

24. **Partnership-building.** This component aims to mobilize public, private and civil-society actors with a view towards synergies and economies of scale in establishing partnership mechanisms among the diverse groups interested in development of the Eastern Region. This will in turn improve the impact of various investments on the living conditions of the target-groups. Activities have been grouped into two sub-components, including the required supplementary equipment and O&M costs for each.

- **Partnership-building mechanisms.** Under this sub-component, the project will finance: organization of information/sensitization workshops with potential partners in financing and implementation; legal support for preparation of agreements and contracts among the main intervening partners; and developmental research activities of mutual interest to all actors. These will include an early warning system for drought in the Eastern Region, and preparation of a plan for management of alfa-covered zones with the Department of Water and Forestry (DWF).
- **Partnership-generating activities.** This sub-component aims to establish the credibility of the project vis-à-vis public and private investors by financing partnership-mobilizing activities: rangeland rehabilitation and management through fodder-crop plantations over 5 000 ha and regeneration of about 10 000 ha; a monitoring system for epidemic disease surveillance and animal prophylaxy with the national veterinary services; creation/rehabilitation of water points and fattening units; and technical and non-technical training of beneficiaries in agricultural and non-agricultural income-generating activities through demonstrations and developmental research activities with specialized institutions.

25. **Increased value added to production in the Eastern Region.** The objective of this component will be to complement the investments of the first phase by intervening downstream of the production chain to maximize benefits to beneficiaries at the levels of processing and marketing. Activities have been grouped into four closely interrelated sub-components, including the required supplementary equipment and O&M costs for each.

- **Support to rural financial services.** This sub-component aims to facilitate sustainable access by target groups to nearby financial resources. This will be achieved by providing

incentives to one or more local and/or national microcredit associations – selected through national competitive bidding – to settle in the project area. These incentives will include provision of logistic support and the costs of diagnostic studies, training of credit agents, and office equipment in return for the provision of microcredit to meet the demand of about 1 400 beneficiaries to begin income-generating activities.

- **Promotion of income-generating activities.** This sub-component will target two categories of beneficiaries. Those eligible for microcredit, as indicated above, and those potential microentrepreneurs (about 100) with slightly larger financial needs. The latter will borrow from a banking institution with which the project will establish a cooperation agreement. For the first category, the project will provide technical and non-technical training such as lamb fattening, wool and animal-skin treatment, literacy skills and simple bookkeeping. For the second category, the project will provide specialized support in formulating project proposals, as well as business counselling advice in operating and managing their microenterprises. The project will also promote the formation of interprofessional associations and linkage with national networks specializing in the various products.
- **Market development.** This sub-component aims to identify potential outlets and market linkages for the main products and by-products of the Eastern Region by carrying out subsectoral studies of interest to the target groups, providing support to the identification of commercial partners, and organizing promotional campaigns (publicity spots, fairs and other marketing initiatives).
- **Upgrading the lamb-meat production chain.** The objective of this sub-component presupposes better understanding of the forward and backward linkages of the lamb-meat production chain. It will provide support to the MARD Directorate of Livestock and to regional and local, public and private actors to modernize this chain. The project will finance preparation of a national master plan for lamb-meat production and marketing, leading to identification of priority areas for public and private investments. Based on MARD priorities, funds will be made available under this sub-component to finance studies for scaling up food hygiene and quality control at the national level and the corresponding training of staff concerned. Further, in consultation with the Government, IFAD approached the Arab Authority for Agricultural Investment and Development (AAAID) as a potential private investor. AAAID expressed its interest in financing a lamb-meat processing and distribution facility in the Eastern Region.

D. Costs and Financing

26. **Costs.** Total project costs over the six-year implementation period are estimated at USD 9.24 million (MAD 95.2 million), including physical and price contingencies, calculated at December 2002 prices. Foreign exchange represents about 18% of total costs. Investment costs are estimated at USD 8.4 million, or 91% of base costs. Base costs by component are summarized in Table 1.

27. **Financing.** The project will be financed by an IFAD loan of USD 6.36 million or 69% of the total costs. The Government's contribution, including taxes, will be equivalent to USD 2.37 million or about 26%, while the beneficiaries are expected to contribute about USD 170 800 or 1.8%. Government intends to mobilize a grant of USD 332 700 to finance the sub-component relating to "upgrading the lamb-meat production chain". The financing plan is given in Table 2. IFAD financing will cover all components.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD '000)

Components	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Consolidation of the institutional assets and acquired knowledge					
Operationalization of the national rangeland and livestock strategy in the Eastern Region	84.5	22.6	107.1	21	1
Information and knowledge management	161.5	67.8	229.3	30	3
Local capacity-building	323.6	21.4	345.0	6	4
Strengthening of MARD field structures	793.2	144.9	938.1	15	12
Support to project management	450.4	148.0	598.3	25	7
Subtotal	1 813.1	404.7	2 217.8	18	27
B. Partnership-building					
Partnership-building mechanisms	176.1	17.8	193.9	9	2
Partnership-generating activities	3 945.4	797.6	4 743.0	17	58
Subtotal	4 121.5	815.4	4 936.9	17	61
C. Increased value added to production in the Eastern Region					
Support to rural financial services	36.3	3.5	39.8	9	-
Promotion of income-generating activities	136.8	7.8	144.6	5	2
Market development	100.0	52.7	152.7	35	2
Upgrading the lamb-meat production chain	483.6	140.1	623.8	22	8
Subtotal	756.7	204.2	960.9	21	12
Total base costs	6 691.3	1 424.3	8 115.6	18	100
Physical contingencies	350.2	75.1	425.3	18	5
Price contingencies	567.7	130.7	698.3	19	9
Total project costs	7 609.2	1 630.1	9 239.2	18	114

TABLE 2: FINANCING PLAN^a
(USD '000)

Components	IFAD		Beneficiaries		Other		Government		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Consolidation of the institutional assets and acquired knowledge													
Operationalization of the national rangeland and livestock strategy in the Eastern Region	93.9	80.0	-	-	-	-	23.5	20.0	117.4	1.3	25.1	68.8	23.5
Information and knowledge management	150.5	58.1	-	-	-	-	108.4	41.9	258.9	2.8	76.7	121.9	60.3
Local capacity-building	313.6	79.8	-	-	-	-	79.5	20.2	393.2	4.3	24.7	289.0	79.5
Strengthening of MARD field structures	692.2	65.3	-	-	-	-	367.9	34.7	1 060.1	11.5	164.3	684.6	211.2
Support to project management	261.8	38.0	-	-	-	-	426.2	62.0	688.0	7.4	168.8	391.4	127.8
Subtotal	1 512.0	60.1	-	-	-	-	1 005.6	39.9	2 517.6	27.2	459.5	1 555.8	502.3
B. Partnership-building													
Partnership-building mechanisms	172.8	80.0	-	-	-	-	43.2	20.0	215.9	2.3	20.2	152.6	43.2
Partnership-generating activities	4 155.0	76.4	170.8	3.1	-	-	1 112.2	20.5	5 437.9	58.9	920.1	3 598.1	919.7
Subtotal	4 327.8	76.5	170.8	3.0	-	-	1 155.4	20.4	5 653.9	61.2	940.3	3 750.7	962.9
C. Increased value added to production in the Eastern Region													
Support to rural financial services	34.6	80.0	-	-	-	-	8.7	20.0	43.3	0.5	3.9	30.8	8.7
Promotion of income-generating activities	131.8	80.0	-	-	-	-	33.0	20.0	164.8	1.8	9.1	122.7	33.0
Market development	138.9	80.0	-	-	-	-	34.7	20.0	173.6	1.9	60.5	78.5	34.7
Upgrading the lamb-meat production chain	216.2	31.5	-	-	332.7	48.5	137.2	20.0	686.1	7.4	156.8	392.0	137.2
Subtotal	521.5	48.8	-	-	332.7	31.2	213.6	20.0	1 067.8	11.6	230.3	624.0	213.6
Total project costs	6 361.3	68.9	170.8	1.8	332.7	3.6	2 374.5	25.7	9 239.2	100.0	1 630.1	5 930.4	1 678.8

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

28. **Procurement.** For IFAD-financed expenditure, procurement of goods and civil works will be undertaken in accordance with IFAD guidelines. Procurement of all vehicles and of equipment and material with an estimated value of USD 50 000 or more will be made on the basis of national competitive bidding. For contracts for material and equipment valued under the equivalent of USD 50 000, prudent shopping procedures on the basis of three quotations will apply. Civil works contracts, except for rehabilitation of buildings and for livestock development, will be made on the basis of national competitive bidding. Contracts for rehabilitation of buildings will be made following local shopping procedures on the basis of at least three quotations. Force account contracts will be used for livestock development activities. Recruitment of consultants will be made in accordance with national procedures as approved by the cooperating institution and acceptable to IFAD. Contracts equivalent to USD 100 000 or over for consultant services, to be financed from the loan, will be subject to national competitive bidding. Consultant services for an amount under USD 100 000 will follow prudent shopping procedures. Contracts for technical assistance and other services to be financed from the loan will be subject to procedures approved by the cooperating institution.

29. **Disbursement.** The project will be implemented over six years. Withdrawals from the loan account may be made against statements of expenditure (SOEs) as indicated in the Loan Agreement.. The relevant documentation justifying such expenditures will be retained by the project and made available for inspection by supervision missions and external auditors. All other withdrawals from the loan account will be made on the basis of full supporting documentation. The Government will open a Special Account designated in Moroccan dirhams with the National Treasury of Morocco in the name of the project. Upon loan effectiveness, IFAD will make an initial deposit of up to USD 600 000. The Special Account will be used to finance IFAD's share of eligible expenditures and replenished in accordance with established IFAD procedures. The Government contribution amounts to USD 2.4 million, including duties and taxes, and will be made available to the project through standard government procedures.

30. **Accounts and audit.** Separate project accounts and financial records relating to project activities will be maintained with the PDA of Figuig. The PMU will ensure that such accounts and records are maintained in accordance with government practices and with procedures acceptable to IFAD. Project accounts will be audited on an annual basis by the General Inspectorate of Finance. Certified audit reports, which will include a statement of the adequacy of the executing agency's accounting systems and internal controls, including an opinion regarding SOEs and the Special Account, will be transmitted to IFAD and the CI no later than six months after the end of the fiscal year.

F. Organization and Management

31. The project will be under the overall responsibility of the Directorate of Livestock in MARD. A national steering committee, headed by the Secretary-General of MARD and composed of other relevant ministries and line agencies (namely those of the Interior, DWF and Finance among others), will preside over the approval of annual work programmes and budgets.

32. Project implementation at the field level will be under the responsibility of the project director, who will operate through a limited PMU and two CUs located in the two PDAs covering the project area.³ The CUs will be in charge of coordinating, planning and programming project activities, which will be implemented through the PDAs and their CTs, the Regional Directorate for Water and Forests, other line agencies, non-governmental organizations and the private sector, according to the competencies and expertise required.

³ See Appendix VI.

33. In close collaboration with the two CUs, the PMU will be responsible for overall management of project activities, and specifically for: (i) mobilization, training and coordination of the technical and administrative staff involved in project activities; (ii) preparation of budgets and annual programmes of work; (iii) procurement and contracts with other public and private operators; and (iv) preparation of activity reports for submission to the various actors concerned.

34. **Monitoring and evaluation (M&E).** The M&E system will be expected to provide the Moroccan authorities, IFAD and all project partners with the elements needed to carry out periodic assessments of results by comparing them with initial objectives. This M&E task will be carried out in close collaboration with the cooperatives and community groups concerned. The logical framework will provide the basis for developing the M&E system. The PMU will be in charge of monitoring activities and drawing up regular progress reports. Impact of the project will also be evaluated against the strategic and specific objectives presented in the logical framework.⁴ Project monitoring and evaluation will be the responsibility of the existing Studies, Planning and Monitoring Services, which are located in both PDAs and report to the central Planning and Economic Affairs Directorates of MARD. They will call on other entities for backstopping (specialized institutions, consulting firms, etc.).

G. Economic Justification

35. The benefits considered in the economic analysis are those of the productive components: improvements in production systems, i.e. the productivity of pastoral and sylvo-pastoral systems and livestock, as well as those derived from income-generating activities and microenterprises. The environmental benefits, those linked to investment in human resources, and improvements in socio-economic infrastructures have not been quantified. The economic rate of return is 11%, a robust rate against variations in costs and benefits. If costs rise by 10%, or if benefits fall by 10%, the rate will be 10%. If costs rise and benefits fall by 10% at the same time, the rate will stand at 9%.⁵

H. Risks

36. The frequency of consecutive years of drought in the Eastern Region has become a recurrent event over the last two decades. Repeated, prolonged and successive periods of drought in the future will threaten the viability of existing production systems and the sustainability of the pastoral way of life in the project area. As such, this natural phenomenon, with its socio-economic and environmental impacts, needs to be addressed as endemic to the climatic conditions of the region. To minimize this risk, the project will promote further collective action for the rational use and management of natural resources and will contribute to installation of a drought warning system in collaboration with the recently created National Observatory on Drought.

37. Another project risk is linked to the present inflexibility of budgetary procedures, as these may hamper timely implementation of the project, which involves large numbers of small initiatives scattered over the project area. The timely transfer of financial resources to implementing agencies such as the PDA, and the funds earmarked for partnership mobilizing activities, should allow the project to meet these demands, thus reducing the waiting time for rural inhabitants. Further, for several years budgetary allocations have on the whole been lower than the requests by various ministerial departments. During negotiations the Government assured that annual budgets would be allocated in full to the various implementing entities, including operating costs, without which implementation of project activities will incur delays.

⁴ See Appendix IV.

⁵ See Appendix VII.

I. Environmental Impact

38. Expected project impact on the environment will be positive due to the approach adopted and the actions to be implemented. The approach will be geared towards strengthening of: (i) RUAs, where many of the decisions regarding prudent use and management of range resources will take place; and (ii) partnership-building for enhanced synergy, leading to increased investment in better use and management of natural resources. Major activities promoted by the project include design and implementation of a master plan for the sustainable development of rangelands and livestock production in the Eastern Region. The rehabilitation of rangelands will result in improved rangeland productivity, soil cover, regeneration of endogenous medicinal and aromatic plant species, soil water infiltration and fertility, and wildlife habitat. A beneficial impact will thus be expected in terms of plant and animal diversity, landscape aesthetic, and recreational value.

J. Innovative Features

39. The project will be innovative in two aspects: (i) it will contribute to operationalization of the national strategy for rangeland development and livestock production in the steppe of the Eastern Region; and (ii) given that it is the second phase of a project that has demonstrated impact in certain areas, the design of this phase is compatible with the thrusts of IFAD's strategic framework in terms of impact consolidation and of information and knowledge capturing and management, as well as of partnership-building at local, regional and national levels.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

40. A loan agreement between the Kingdom of Morocco and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

41. The Kingdom of Morocco is empowered under its laws to borrow from IFAD.

42. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

43. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Kingdom of Morocco in various currencies in an amount equivalent to four million five hundred and fifty thousand Special Drawing Rights (SDR 4 550 000) to mature on or prior to 15 October 2023 and to bear an interest rate of one half of the reference interest rate per annum as determined by the Fund annually, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Negotiations concluded on 4 July 2003)

1. In addition to the loan proceeds, the Government of the Kingdom of Morocco (the Government) will make funds available during the project execution period – as the national contribution – to MARD for the purpose of carrying out the project, in accordance with usual national procedures. This contribution will include, in particular, all duties, taxes and levies on goods and services, as well as the operating costs of the project.
2. The Government intends to mobilize a grant from a financier in the amount of approximately USD 365 000 to help finance studies for upgrading the lamb-meat production chain and associated activities, especially training and the updating of regulations, under the relevant project sub-component upgrading the lamb-meat production chain.
3. The Government will ensure that a framework agreement is concluded between MARD, the Ministry of Interior and DWF within the 12 months following the project effectiveness date, specifying the respective roles, rights and responsibilities of these three main stakeholders in the rangelands and the rights and responsibilities to be assigned to the pastoral cooperatives operating on such rangelands. More specifically, the agreement is to set up a commission composed of representatives of MARD, DWF and the Ministry of Interior to decide on conservation measures concerning closures against illegal grazing, and on the planting of forage, land tilling and building on rangelands.
4. The Government will ensure that MARD has conducted an audit of all the pastoral cooperatives within the 12 months following the project effectiveness date, in order to assess their strengths and weaknesses and to define remedial action plans.
5. The Government will ensure that, during the 12 months following the project effectiveness date, the Directorate of Livestock will take the necessary steps for a biological surveillance system to be set up for the duration of project execution.
6. The Government will ensure equal treatment of men and women during the consideration of applications for the positions to be filled under the project. During project execution, the Government will ensure that women and young people are specifically targeted in view of their special vulnerability.
7. The Government will ensure that project personnel are insured against accidents in accordance with usual practices in the country.
8. The following condition is specified as a condition precedent to disbursement of the loan proceeds for expenditures financed as part of the activities to be performed in the communes of Abou Lakhel and Tiouli:

MARD is to provide evidence, in accordance with applicable national procedures, of the establishment of pastoral cooperatives that will serve as project interlocutors in these two communes.

ANNEX

9. The following are specified as conditions precedent to the effectiveness of the loan agreement:
- (a) the PMU has been set up within the PDA of Figuig, and its manager, an accountant and an M & E officer have been appointed in consultation with IFAD, in accordance with the loan agreement;
 - (b) the two project coordination units have been set up within the PDAs of Figuig and Oujda respectively, and at least one coordinator, one rangeland engineer and one veterinarian have been appointed for each unit in consultation with IFAD, in accordance with the loan agreement; and
 - (c) the loan agreement has been duly signed and a legal opinion, issued by the Secretary-General of the Government and acceptable in form and content, has been forwarded by the Government to IFAD.

APPENDIX I

COUNTRY DATA

MOROCCO

Land area (km² thousand) 2001 1/	446	GNI per capita (USD) 2001 1/	1 190
Total population (million) 2001 1/	29.17	GDP per capita growth (annual %) 2001 1/	4.8
Population density (people per km²) 2001 1/	65	Inflation, consumer prices (annual %) 2001 1/	1
Local currency	Moroccan Dirham (MAD)	Exchange rate: USD 1 =	MAD 10.3
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1995-2001 1/	1.7	GDP (USD million) 2001 1/	34 219
Crude birth rate (per thousand people) 2001 1/	21	Average annual rate of growth of GDP 2/ 1981-1991	4.6
Crude death rate (per thousand people) 2001 1/	6	1991-2001	2.5
Infant mortality rate (per thousand live births) 2001 1/	39	Sectoral distribution of GDP 2001 1/	
Life expectancy at birth (years) 2001 1/	68	% agriculture	16
Number of rural poor (million) (approximate) 1/	5.3 a/	% industry	31
Poor as % of total rural population 1/	18.0 a/	% manufacturing	17
Total labour force (million) 2001 1/	11.78	% services	53
Female labour force as % of total 2001 1/	35	Consumption 2001 1/	
Education		General government final consumption expenditure (as % of GDP)	18
School enrolment, primary (% gross) 2001 1/	94 a/	Household final consumption expenditure, etc. (as % of GDP)	63
Adult illiteracy rate (% age 15 and above) 2001 1/	50	Gross domestic savings (as % of GDP)	19
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1997 2/	2 862	Merchandise exports 2001 1/	7 116
Malnutrition prevalence, height for age (% of children under 5) 2001 3/	23 a/	Merchandise imports 2001 1/	10 960
Malnutrition prevalence, weight for age (% of children under 5) 2001 3/	9 a/	Balance of merchandise trade	-3 844
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2001 1/	5 a/	before official transfers 2001 1/	-2 064
Physicians (per thousand people) 2001 1/	n/a	after official transfers 2001 1/	1 611
Population using improved water sources (%) 2000 3/	80	Foreign direct investment, net 2001 1/	2 727
Population with access to essential drugs (%) 1999 3/	50-79	Government Finance	
Population using adequate sanitation facilities (%) 2000 3/	68	Overall budget deficit (including grants) (as % of GDP) 2001 1/	-2 a/
Agriculture and Food		Total expenditure (% of GDP) 2001 1/	33 a/
Food imports (% of merchandise imports) 2001 1/	14 a/	Total external debt (USD million) 2001 1/	16 963
Fertilizer consumption (hundreds of grams per ha of arable land) 2000 1/	413	Present value of debt (as % of GNI) 2001 1/	44
Food production index (1989-91=100) 2001 1/	105	Total debt service (% of exports of goods and services) 2000 1/	18
Cereal yield (kg per ha) 2001 1/	896	Lending interest rate (%) 2001 1/	13
Land Use		Deposit interest rate (%) 2001 1/	5
Arable land as % of land area 2000 1/	20		
Forest area as % of total land area 2000 1/	7		
Irrigated land as % of cropland 2000 1/	13		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2003

2/ UNDP, *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2003

PREVIOUS IFAD FINANCING

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount
Agricultural Credit Project	World Bank: IBRD	World Bank: IBRD	I	27 Jun 79	04 Dec 79	30 Jun 83	L - I - 17 - MO	SDR	19 600 000
Central Haouz Irrigation Project	AFESD	AFESD	I	21 Apr 83	17 Jan 84	31 Dec 92	L - I - 127 - MO	SDR	15 700 000
Abda Plain Rural Development Project	IFAD	AFESD	I	18 Sep 86	15 Jun 87	30 Jun 96	L - I - 193 - MO	SDR	6 800 000
Livestock and Rangelands Development Project in the Eastern Region	IFAD	AfDB	I	19 Apr 90	27 May 91	30 Jun 02	L - I - 260 - MO	SDR	10 850 000
Tafilalet and Dades Rural Development Project	IFAD	AFESD	I	20 Apr 94	27 Mar 95	30 Jun 04	L - I - 356 - MA	SDR	11 800 000
Tafilalet and Dades Rural Development Project	IFAD	AFESD	I	20 Apr 94	27 Mar 95	30 Jun 04	L - I - 357 - MA	SDR	4 100 000
Rural Development Project for Taourirt – Taforalt	IFAD	UNOPS	I	04 Dec 96	16 Oct 98	30 Jun 07	L - I - 437 - MA	SDR	13 500 000
Rural Development Project in the Mountain Zones of Al-Haouz Province	IFAD	UNOPS	I	07 Dec 00	22 Jan 02	30 Sep 08	L - I - 556 - MA	SDR	14 100 000

IFAD PORTFOLIO, STRATEGIC FRAMEWORK AND LESSONS

1. IFAD has so far supported eight projects in Morocco, with a total local commitment of about USD 124 million. The first-generation projects, during the 1979-1986 period (one agricultural credit project and one for irrigation), were cofinanced by the World Bank and the Arab Fund for Economic and Social Development (AFESD) respectively. These projects had wide geographical coverage, concerned rainfed and irrigated agriculture and provided medium- and short-term credit. Second-generation projects were all initiated by IFAD and cofinanced by various international agencies such as the Islamic Development Bank (IsDB), African Development Bank, Organization of Petroleum Exporting Countries (OPEC) Fund and World Food Programme (WFP). The projects were typically located in marginal areas and included a wide range of activities such as soil and water conservation, rangeland improvement, institutional support and rural infrastructure development – in particular the rehabilitation of small-scale irrigation – and were targeted at the rural poor, especially women. Third-generation projects benefited from the new policy adopted by the Moroccan Government of a relatively more participatory approach to the implementation of projects within the framework of the programme for development of rainfed agriculture. Main lessons derived from closed and ongoing lending operations are presented below.

2. **Lessons learned.** With the exception of the first one, all IFAD-financed projects in Morocco to date have been local-area development operations that addressed the most serious constraints on crop and livestock production systems, natural resource management (through rangeland improvements and soil and water conservation), credit delivery and small-scale irrigation. Social infrastructure, including rural roads, water supply and human health, was an important component of these projects, which achieved good results in physical terms and generally met targets set at appraisal. A number of institutional constraints were encountered during implementation, and coordination among implementing line agencies needed strengthening. Recently developed projects have focused on the central objective of creating and supporting sustainable grass-roots organizations that will gradually assume responsibility for linking local development with the existing institutional framework. Experience has shown that in community-based development projects, by their very nature, many activities such as rangeland improvement, small-scale irrigation development, etc. cannot be restricted to a target group defined by income levels, food security, farm size or livestock numbers. Under these conditions, targeting will be applied at three levels. Projects will focus on the poorer areas within specific zones. Within these areas, the focus will be on the poorer communities. Further, project activities will be designed to favour the poorest within these communities. A major issue encountered by projects is the sustainability of project activities after loan closing. Sustainability will be improved by: (i) linkage of representative local institutions with local socio-political structures; (ii) contractual arrangements with the population concerned that cover post-project O&M costs of investments; and (iii) creation of viable rural financial services.

3. **IFAD's strategic framework.** As it is related to poor resource endowment in rainfed and mountainous areas, poverty varies in Morocco from region to region. IFAD's target groups among the rural poor are small and marginal farmers and artisanal fishermen, the landless, wage earners and rural women. The key elements of IFAD's strategy in Morocco consist in assisting the Government in the following:

- focusing on community-driven rural development needs rather than on commodity-specific agricultural development;
- emphasizing promotion of food security at national and household levels through diversification of production by supporting commodities with a comparative advantage on national and international markets;

APPENDIX III

- promoting the consolidation and strengthening of devolved, decentralized planning and implementation through support for the creation and strengthening of local institutions and grass-roots organizations and devolution of human and financial resources from the centre to the regions;
- improving access of rural poor households to productive resources, including land, water, technological know-how and financial services;
- continuing to focus on improved natural resource management in the three agro-ecological zones of the priority provinces having a high incidence of poverty, and where alternatives to agriculture as a core activity are limited. These are: (i) mountainous areas; (ii) low-potential rangelands, and (iii) low-potential rainfed areas of the arid south; and
- ensuring higher levels of participation, with a focus on gender issues, using participatory tools in the design and implementation of projects.

4. The orientation and basic elements of IFAD's country strategy for Morocco have their origins in the Fund's experience of working with the country's rural poor, and fit closely with the Fund's strategic framework. The elements of the country strategy that constitute key links to the corporate strategy are: (i) higher levels of beneficiary participation through decentralization, aiming at development and support of local institutions and grass-roots organizations; (ii) continued focus on gender issues and equitable access to productive natural resources and technology; and (iii) development of rural on and off-farm employment for the rural poor. IFAD's country strategy for Morocco is naturally linked to its regional strategy for the Near East and North Africa, which very much echoes the strategic framework in terms of strengthening the capacity of the rural poor and their organizations and increasing their access to financial services and markets. In addition, the country strategy reflects the regional strategy in helping the rural poor cope with the severe constraints of the natural resource base.

5. The Fund's country strategy for Morocco proposes specific interventions for the medium term, including rural development linked to natural resource management in the low-potential arid rangelands in the east and south, where IFAD projects need further consolidation to ensure the sustainability of project actions and of the local institutions created through those actions. After being present in the country for almost 20 years, IFAD has accumulated sufficient knowledge and experience to support its target groups within the framework of evolving economic and social conditions. It will do so by assisting the rural poor in implementing a medium-term strategy based on the principles of participation, community awareness and sustainability. The proposed second phase of the Livestock and Rangelands Development Project in the Eastern Region, an area characterized by a high incidence of poverty, fits this strategy and was thus accorded high priority by the Moroccan Government for inclusion in the pipeline.

LOGICAL FRAMEWORK

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
Development Goal			
<p>Improve the socio-economic conditions of the populations in the project area, while preserving and ensuring a durable management of natural resources</p>	<p>Increased incomes as measured by consumption levels</p> <p>Increased food security in households</p> <p>Improved weight and height indicators for children under five years of age</p> <p>Increased area under vegetal cover and improved range conditions</p> <p>Increased fodder availability</p> <p>Reduced emigration from the project area</p>	<p>National expenditure surveys MARD field surveys Anthropometric surveys Mid-term and final evaluation reports</p>	<p>Government continues to actively support poverty reduction in the area</p> <p>Drought situation is not worsening in the area</p> <p>The various governmental institutions with responsibility for managing the resources of the area agree on a common approach</p>
Project Objectives			
Outputs by component:			
<p><i>Consolidation of institutional assets and acquired knowledge</i> A master plan for developing the rangelands and livestock production in the Eastern Region has been prepared. A corresponding work programme for each of the two PDAs has also been prepared.</p> <p>Reference manuals aimed at capitalizing on previous experiences have been prepared and diffused widely. A regional Geographic Information System (GIS) and documentation centre for agro-pastoralism have been set up.</p> <p>The institutional and financial capabilities of the cooperatives and other local organizations have been strengthened, as well as the operational capabilities of MARD field structures</p>	<p>Master plan and work programmes are available and in use</p> <p>Reference manuals are available and in use. GIS and documentation center are in place and functioning.</p> <p>60 cooperatives are functioning efficiently and are financial viable</p> <p>PDAs and their CTs are implementing their work programmes efficiently and according to schedule</p>	<p>Consultation of the relevant documents Project progress reports concerning their use</p> <p>Verification of their availability Project progress reports concerning their use</p> <p>Minutes of the cooperatives' meetings and their accounting books</p> <p>Activity reports of the PDAs and budgets</p>	<p>Use of the master plan is actively supported by MARD</p> <p>Intended users adopt a positive attitude and are taking full advantage of the facilities</p> <p>Key-people in the cooperatives and PDAs are competent and respond positively</p>

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
The institutional setup for project implementation is in place and operating efficiently	Project is implemented efficiently and in accordance with the plan and timing	Project progress reports Supervision reports	Key-people in the institutional setup are competent and stable throughout the project period
<i>Partnership-building</i>			
The partnership mechanisms are in place and functioning efficiently	Proportion of the 60 CDPs executed and financed by entities other than the project	M&E reports Reports from the cooperatives Reports from the institutions in partnership	Key-people in the local and provincial committees actively support the CDPs
The various field actions planned to induce partnership are carried out efficiently	60 CDPs are executed and financed successfully 5 000 ha of fodder plantations are established 10 000 ha of regeneration works are carried out (see Appendix 8 for other physical realizations)	Project progress reports Activity reports of the PDAs	Potential institutions/organizations in partnership are willing to and capable of participating efficiently Other partners follow-up on the activities initiated by the project in the context of each cooperative development plan
<i>Increased value added to production in the Eastern Region</i>			
Functional alphabetization is given to beneficiaries, to improve their absorptive and managerial capabilities	Sessions of functional alphabetization have been given to 1 000 people, of whom 700 are women and/or girls	Reports from the contracting institutions providing the sessions	Beneficiaries take full advantage of the sessions provided
Business counseling is given to beneficiaries, both for preparing financing requests and managing income-generating activities afterwards	Business counseling has been given to 1 400 beneficiaries of microcredit and 100 microentrepreneurs	Project progress reports and reports from the contracting institutions providing the counseling	Beneficiaries and microentrepreneurs take full advantage of the business counseling provided
1 400 microcredit operations (70% for women) and 1 000 microenterprises (30% for women) are put into place on a financially viable basis	Number and types of income-generating activities and microenterprises generated	M&E reports Reports from the microcredit associations and banking institutions involved	Beneficiaries of microcredit and the microentrepreneurs service their loans adequately
About five market/sector studies are carried out	Studies are available and have been discussed in round tables	Consultation of the relevant documents and reports of the round tables	Studies lead to concrete public and private investments in the sector and/or markets covered

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
Various promotional activities are carried out, such as expositions, fairs and others	Visualization of these activities and reports on their realization	Evaluation reports on the carrying out and impact of these activities M&E reports	A solvent demand exists for the products promoted
Components/sub-components:	Inputs: (total budget by component)	Source of information	
<p>1. <i>Consolidation of institutional assets and acquired knowledge</i></p> <p>1.1 Operationalization of the national rangeland and livestock strategy in the Eastern Region</p> <p>1.2 Information and knowledge management</p> <p>1.3 Local capacity-building</p> <p>1.4 Strengthening of MARD field structures</p> <p>1.5 Support to project management</p> <p>2. <i>Partnership-building</i></p> <p>2.1 Partnership-building mechanisms</p> <p>2.2 Partnership-generating activities</p> <p>3. <i>Increased value added to production in the Eastern Region</i></p> <p>3.1 Support to rural financial services</p> <p>3.2 Promotion of income-generating activities</p> <p>3.3 Market development</p> <p>3.4 Upgrading the lamb-meat production chain</p>	<p style="text-align: center;"><u>USD 2.22 million</u></p> <p>(USD 0.11 million)</p> <p>(USD 0.23 million)</p> <p>(USD 0.35 million)</p> <p>(USD0.94 million)</p> <p>(USD 0.60 million)</p> <p style="text-align: center;"><u>USD 4.94 million</u></p> <p>(USD 0.19 million)</p> <p>(USD 4.74 million)</p> <p style="text-align: center;"><u>USD 0.96 million</u></p> <p>(USD 0.04 million)</p> <p>(USD 0.14 million)</p> <p>(USD 0.15 million)</p> <p>(USD 0.62 million)</p>	<p>Project progress reports</p> <p>Audit reports</p> <p>Supervision reports</p> <p>Mid term and final evaluation reports</p>	<p>The Government's budgetary contributions are sufficient and timely</p> <p>The procurement of good and services is carried out efficiently and promptly</p>

COÛTS ET FINANCEMENT

Table 1: Catégories de décaissement par source de financement

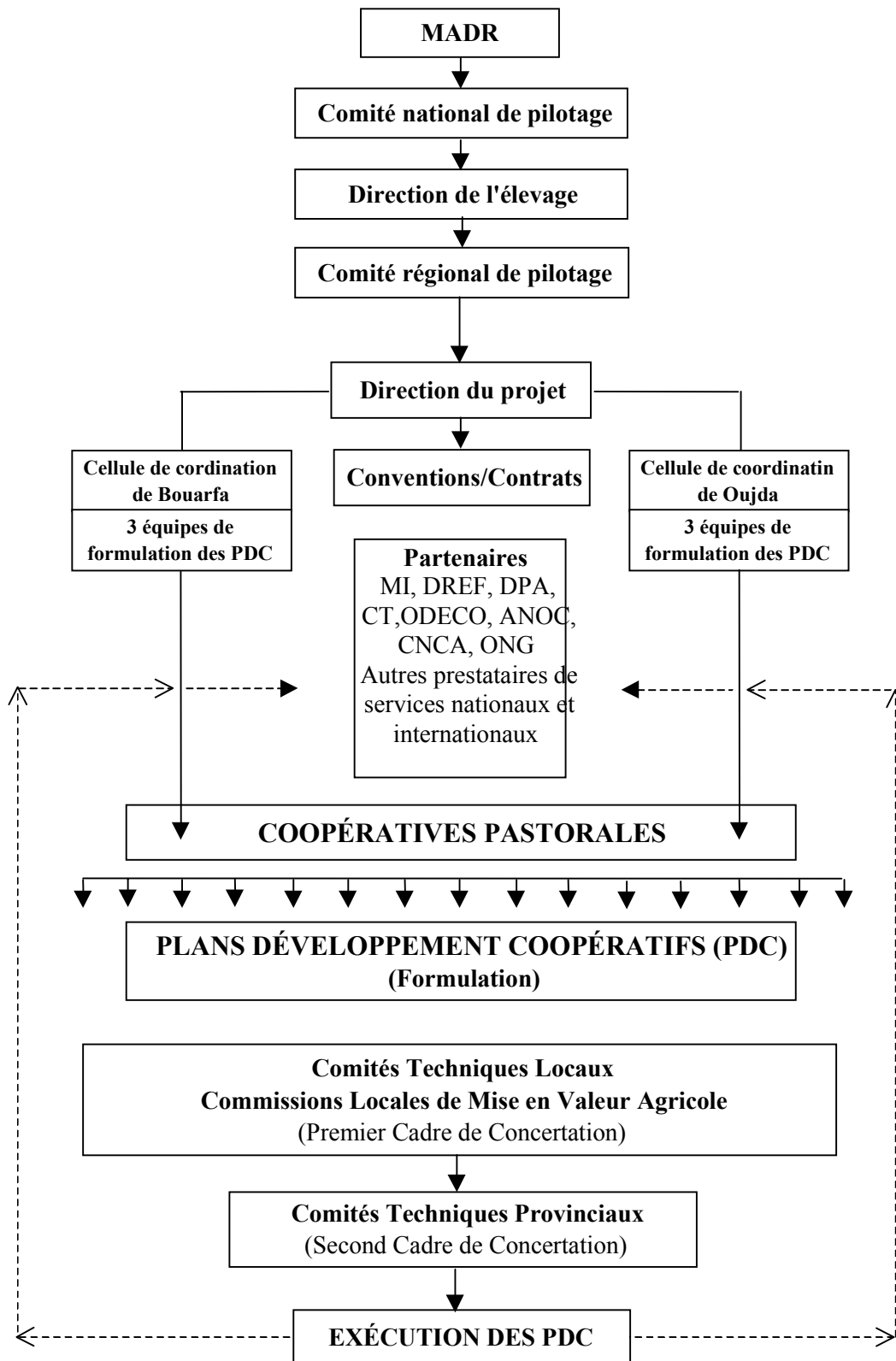
	FIDA		Bénéficiaires		Autre		Gouvernement		Total	Devises.		Monnaie locale (Excl. Taxes)	Droits & Taxes
	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%			
	A. Investissements												
1. Travaux													
Aménagement des points d'eau	283.5	75.0	37.8	10.0	-	-	56.7	15.0	378.0	4.1	58.3	263.0	56.7
Aménagement de locaux	41.4	86.0	-	-	-	-	6.7	14.0	48.1	0.5	7.4	34.0	6.7
Aménagement pastoral	1 840.6	74.8	127.2	5.2	-	-	492.0	20.0	2459.8	26.6	253.5	1 714.3	492.0
Développement de l'élevage	1 115.8	94.5	5.8	0.5	-	-	59.0	5.0	1 180.6	12.8	121.7	999.8	59.0
Sous-total Travaux	3 281.4	80.7	170.8	4.2	-	-	614.4	15.1	4 066.6	44.0	441.0	3 011.1	614.4
2. Formation. appui conseil. Études													
Formation	733.0	74.1	-	-	57.9	5.9	197.7	20.0	988.7	10.7	50.9	740.0	197.7
Appui conseil	300.6	80.0	-	-	-	-	75.1	20.0	375.7	4.1	19.3	281.3	75.1
Études et ateliers	563.5	53.8	-	-	274.7	26.2	209.6	20.0	1 047.8	11.3	405.2	433.0	209.6
Sous-total Formation. appui conseil. études	1 597.1	66.2	-	-	332.7	13.8	482.4	20.0	2 412.2	26.1	475.4	1 454.4	482.4
3. Équipement et matériel	444.6	73.7	-	-	-	-	158.3	26.3	602.9	6.5	271.2	173.4	158.3
4. Véhicules	313.1	70.0	-	-	-	-	134.2	30.0	447.2	4.8	242.9	70.1	134.2
5. Contrat	725.2	80.0	-	-	-	-	181.3	20.0	906.4	9.8	93.1	632.0	181.3
Sous-total Investissements	6 361.3	75.4	170.8	2.0	332.7	3.9	1 570.6	18.6	8 435.4	91.3	1 523.7	5 341.1	1 570.6
B. Fonctionnement													
1. Fonctionnement des véhicules	-	-	-	-	-	-	383.2	100.0	383.2	4.1	78.7	227.9	76.6
2. Entretien des équipements/matériel	-	-	-	-	-	-	23.9	100.0	23.9	0.3	4.9	14.2	4.8
3. Fonctionnement des bureaux	-	-	-	-	-	-	133.6	100.0	133.6	1.4	22.8	84.1	26.7
4. Déplacements	-	-	-	-	-	-	263.1	100.0	263.1	2.8	-	263.1	-
Sous-total Fonctionnement	-	-	-	-	-	-	803.8	100.0	803.8	8.7	106.4	589.3	108.1
Coût Total	6 361.3	68.9	170.8	1.8	332.7	3.6	2 374.5	25.7	9 239.2	100.0	1 630.1	5 930.4	1 678.8

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Table 2: Catégories de décaissement par composante

	Consolidation des acquis institutionnels et du savoir-faire					Promotion du partenariat		Valorisation des productions de l'Oriental				Total
	Opérationnalisation	Gestion de	Renforcement	Renforcement		Mise en		Appui aux	Promotion		Mise à	
	De la stratégie de Développement dans l'Oriental	l'information et du savoir Faire	Des Capacités Locales	Des Structures du MADR	Gestion et coordination du projet	place des Mécanismes De Partenariat	Actions Mobilisatrices	Services financiers de Proximité	d'activités génératrices de revenus	Développement des marchés	de la Filière Ovine	
I. Investissements												
A. Travaux												
Aménagement des points d'eau	-	-	-	-	-	-	378.0	-	-	-	-	378.0
Aménagement de locaux	-	7.6	-	-	2.2	-	38.4	-	-	-	-	48.1
Aménagement pastoral	-	-	-	-	-	-	2 459.8	-	-	-	-	2 459.8
Développement élevage /a	-	-	-	-	-	-	1 180.6	-	-	-	-	1 180.6
Sous-total Travaux	-	7.6	-	-	2.2	-	4 056.8	-	-	-	-	4 066.6
B. Formation												
Formation	-	32.8	384.3	222.9	-	35.1	95.1	10.8	135.2	-	72.4	988.7
C. Appui conseil												
Appui conseil	63.5	38.3	-	-	10.8	3.2	-	-	17.9	28.4	270.2	432.5
D. Études et ateliers	53.8	-	-	-	47.9	-	400.7	-	-	145.2	343.4	991.1
E. Contrat	-	-	-	506.6	110.2	177.6	67.9	35.2	11.7	-	-	906.4
F. Équipement et Matériel												
Équipement informatique	-	73.0	8.9	10.2	-	-	-	-	-	-	-	92.2
Équipement/matériel de formation	-	16.7	-	-	-	-	268.2	-	-	-	-	285.0
Équipement/mobilier de bureau	-	30.3	-	22.8	-	-	172.7	-	-	-	-	225.8
Sous-total Équipement et Matériel	-	120.0	8.9	33.0	-	-	441.0	-	-	-	-	602.9
G. Véhicules												
Véhicules	-	-	-	118.8	178.3	-	150.1	-	-	-	-	447.2
Sous-total Investissement	117.4	198.8	393.2	881.4	349.3	215.9	5 211.7	43.3	164.8	173.6	686.1	8 435.4
II. Fonctionnement												
A. Entretien et Fonctionnement												
Fonctionnement/entretien des véhicules	-	-	-	104.4	156.6	-	122.3	-	-	-	-	383.2
Entretien équip. Et matériel	-	60.2	-	5.7	23.9	-	-	-	-	-	-	89.8
Fonctionnement des bureaux	-	-	-	-	20.7	-	46.9	-	-	-	-	67.7
Déplacements	-	-	-	68.6	137.5	-	57.1	-	-	-	-	263.1
Sous-total fonctionnement	-	60.2	-	178.7	338.7	-	226.3	-	-	-	-	803.8
Coût Total	117.4	258.9	393.2	1 060.1	688.0	215.9	5 437.9	43.3	164.8	173.6	686.1	9 239.2
Taxes	23.5	60.3	79.5	211.2	127.8	43.2	919.7	8.7	33.0	34.7	137.2	1 678.8
Devises	25.1	76.7	24.7	164.3	168.8	20.2	920.1	3.9	9.1	60.5	156.8	1 630.1

^a La TVA est nulle dans l'hypothèse que ces actions soient exécutées par les DPA et CT

ORGANIGRAMME DU PROJET¹

¹ Cet Organigramme est basé sur les structures actuelles du MADR.

ANALYSE ÉCONOMIQUE ET FINANCIERE

1. Le Taux de Rentabilité Économique (TRE) du projet est estimé à 11% sur vingt ans. Les bénéfices quantifiés consistent essentiellement en: (i) augmentation de la disponibilité en Unités Fourragères (UF) sur les parcours, résultant principalement des diverses actions mobilisatrices financées telles que plantations fourragères et travaux de régénération; et (ii) revenus nets additionnels générés par les AGR et microentreprises mises en place. Un autre type de bénéfice pris en compte consiste en la prévention de la dégradation certaine des parcours sans projet. Cette situation est illustrée/quantifiée en supposant que 30% des surfaces de parcours de la zone subiront une baisse de productivité de 1% par an sans projet. La valeur économique de l'UF est calculée sur la base du prix paritaire à l'importation de l'orge tandis que les autres prix économiques utilisés sont dérivés des prix financiers après élimination de toutes taxes et droits de douane. Un taux de change constant de 10.3 Dh par \$EU a été adopté pour toute la période du projet. L'ensemble des coûts du projet (en termes économiques) a été pris en compte, y compris ceux liés à la capitalisation des acquis institutionnels pour lesquels les bénéfices sont pourtant très difficilement quantifiables.

2. Il faut aussi souligner que d'autres bénéfices difficilement quantifiables seraient importants; par exemple le renforcement des capacités locales et la mise en place de mécanismes de partenariat qui permettraient éventuellement aux coopératives et à leurs membres de conduire leurs propres actions de développement de façon autonome et continue dans le temps. Le tableau ci-dessous illustre la sensibilité du TRE à des conditions adverses.

Hypothèses de conditions adverses

	Bénéfices	-10%	-20%	retardés d'un an
Coûts	11%	10%	8%	10%
+10%	10%	9%	7%	8%
+20%	9%	7%	6%	7%

3. Le TRE est peu sensible à des baisses de bénéfices et/ou à des dépassements de coûts, ainsi qu'à des retards dans les bénéfices. En effet, de simples variations adverses de 10%, ou un retard d'une année, résultent en un taux de 10%. Toutes autres choses étant égales, le TRE est légèrement plus sensible à des baisses de bénéfices (-20% donne 8%) qu'à des dépassements de coûts (+20% donne 9%).

4. **Bénéficiaires.** Les deux premières composantes «Consolidation des acquis institutionnels et «Promotion du partenariat» toucheraient directement et/ou indirectement – à travers l'exécution des 60 PDC et essentiellement sous forme de renforcement institutionnel et de réalisations physiques – les coopératives pastorales concernées (60 ou peut-être plus si certaines se regroupent pour formuler des PDC), leurs quelque 11 000 membres ainsi que leurs familles (soit environ 77 000 personnes). Parmi ceux-ci, il est estimé qu'environ 3 000 éleveurs pourraient bénéficier directement de certaines actions mobilisatrices; telles que l'établissement de plantations fourragères et les travaux de régénération de parcours. La troisième composante «Valorisation des productions de l'Oriental» vise les petits éleveurs mais aussi les «sans troupeau», femmes, jeunes garçons et filles. Les objectifs en réalisations de cette composante sont de 1 400 AGR et 100 microentreprises sur six ans. Les bénéficiaires seront en fait plus nombreux du fait que chaque opération, particulièrement les microentreprises, concernerait probablement plus d'une personne. D'autre part, plusieurs cadres du MADR bénéficieraient des formations techniques et non-techniques qui seront données. Certaines de ces formations profiteraient également aux partenaires d'exécution et de financement impliqués dans le projet. En termes généraux, il est probable que les 100 000 habitants de la zone du projet bénéficieraient directement et/ou indirectement des diverses actions du projet.