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Investing in collective action: opportunities in agrifood cooperatives



COUNTRY HIGHLIGHTS



FAO INVESTMENT CENTRE

Morocco

Investing in collective action: opportunities in agrifood cooperatives

Luis Dias Pereira

Economist, Investment Centre Division, FAO

Nuno Santos

Economist, Investment Centre Division, FAO

with contributions from:

Hagen Henry

Expert on Cooperative Law, Ruralia Institute of the University of Helsinki, Finland

Ali Benmokhtar

Director, Sector and Regional Studies Division,
Studies and Research Centre of the Groupe Credit Agricole du Maroc

Abdelkrim Azenfar

Director, Office for the Development of Cooperation

COUNTRY HIGHLIGHTS

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FOREWORD

Cooperative forms of collective action have a strong presence in agriculture worldwide, processing and/or commercializing one-half of the world's food at some given stage of the value chain. In Morocco alone, there are about 10 000 registered cooperatives acting in the agriculture sector. The formal registration of such a large number of cooperatives¹ has been, above all, the result of a number of policies whose effect and impacts on the sector and on the performance of cooperatives have not yet been thoroughly studied.

This study aims to provide a better understanding of how cooperatives can contribute to the development of the agriculture sector and rural areas in Morocco and what policy changes and areas of investment could be considered to better enable this. It is dedicated to policy decision-makers, development partners and potential institutional investors in the agriculture sector in Morocco. The study seeks to provide answers to the following key research questions: (i) What are the distinctive features of cooperatives in Morocco? (ii) What role can cooperatives potentially play in the development of the agriculture sector and rural areas? (iii) How have current policies supported cooperatives in playing that role? and (iv) What are the opportunities to provide a more enabling environment for cooperative development? These questions are used as background to assess the policy and institutional environment in which cooperatives operate, to explain some of the current characteristics of cooperatives in Morocco, and finally to identify key opportunities and issues which should be addressed by policy decision-makers, development partners and investors, in order to benefit the agriculture sector as a whole.

The study adopts the definition of “cooperative” used in the International Cooperative Alliance Statement on cooperative identity (ICA, 1995) and adopted by the 2002 International Labour Organization Recommendation No. 193 concerning the promotion of cooperatives. A cooperative is thus defined as “an autonomous association of persons united voluntarily to meet their

¹ In 2014 Italy had 5 834 registered agricultural cooperatives, Spain had 3 844, and Germany had 2 400. All other EU member states have less than 1 200 registered agricultural cooperatives. In 2014, the EU as a whole had a total of 21 769 registered agricultural cooperatives (COGECA, 2014).

common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” This definition can also describe associations, unions, federations or others defined in specific national legislation. Some consideration is given, therefore, to different legal forms of collective enterprise in Morocco and how these compare to those legally constituted as cooperatives. Nevertheless, the study is mostly dedicated to the cooperatives registered as such by the Moroccan Office for the Development of Cooperation (ODCO).

In particular, the study focuses on cooperatives active within the agriculture/ agrifood sector. Despite the importance of artisanal fisheries and forestry cooperatives in the country, they are outside the scope of this study. The set of policies that influence the roles and development of fisheries cooperatives, forestry cooperatives and agriculture cooperatives differ significantly from each other. For instance, fisheries and forestry cooperatives are given more explicit roles to play in natural resources management and environmental conservation. In addition, forestry cooperatives are subject to a different legal framework and are mostly worker cooperatives² rather than cooperatives dedicated to production, processing and/or marketing. Given their specificities, these cooperatives would require stand-alone studies. An exception is the argan cooperatives, which operate in a forest product value chain, but share the legal and policy framework of agricultural cooperatives. They are production/ processing and marketing cooperatives, rather than worker cooperatives like most forest product-based cooperatives, and so they are included in this study.

Cooperatives resulting from Morocco’s agrarian reform, as a specific subset of agricultural cooperatives regulated by a specific law, are not included in the study, as they do not carry the features of cooperatives. For example, membership is compulsory, not voluntary, and they are not fully independent, as the government is represented at the general and board meetings.

The study is organized into four chapters. The first chapter introduces the key distinctive features of cooperatives, their history in Morocco and internationally. The second chapter analyses the key support measures in Morocco and to what extent they are conducive to the development of cooperatives. This is followed by a chapter which maps cooperatives in the country through several metrics. Finally, the fourth chapter discusses the key issues and opportunities to support

² A worker cooperative’s members are exclusively its workers (including managers).

a more enabling environment for cooperatives in order to maximize their contribution to Morocco's agrifood sector. The last two sections in that chapter discuss opportunities for high impact investments in cooperatives and present a number of options forward in a framework for action in the short term that can accelerate the development of agricultural cooperatives.



Mohamed Manssouri
Director
Investment Centre
Division, FAO



Natalya Zhukova
Director
Agribusiness,
EBRD



Florence Rolle
FAO Representative
Morocco



Victoria Zinchuk
Acting Director
Resident Office in
Morocco, EBRD

Methodology

Cooperatives are not a homogeneous group of enterprises. They operate in all sectors, they may be single-purpose or multipurpose, and they may serve their members exclusively, serve non-members also or serve the wider public (e.g. cooperative banks). Additionally, their members may have common interests or may have various interests and be heterogeneous as far as social background or profession is concerned. Laws on cooperatives are also not homogeneous worldwide and, depending on the legal text, it may not always be easy to distinguish between family businesses and investor-owned firms. For these and other reasons, there is lack of a coherent reference methodology and set of indicators to measure the social impact of cooperative enterprises (Borzaga and Galera, 2012), even if there are tools to measure their business performance and sustainability as presented in this study.

In the absence of a comprehensive reference methodology, the analysis of the Moroccan legal and policy framework on cooperatives in this study identifies prevailing features in cooperative law texts, as well as international guidelines on establishing a supportive environment; it therefore uses a broad definition of “traditional” cooperatives and of the supportive environment required for their development. This definition provides a benchmark to discuss how deviations from this norm in Morocco may influence the role and performance of cooperatives in the development of agriculture and of rural areas in the country.

Given the lack of statistically representative data for many variables of interest regarding cooperatives, the study’s mapping of cooperatives relies, for the most part, on secondary qualitative data and information, drawn from international literature on cooperatives, studies and limited available datasets (including published surveys) combined with primary information obtained from interviews with local informants. The study evaluates cooperatives’ performance through comparisons of their operations in the context of specific agriculture subsectors and against examples from other countries where cooperatives have played important roles in the agriculture sector.

The study benefited greatly from the contributions and reviews by key stakeholders in the country through workshops in Morocco as well as the establishment of a continuous dialogue process. In particular, the study received significant inputs and support from ODCO, the Centre of Studies and Research of the *Crédit Agricole du Maroc* and the Value Chain Development Division of the Ministry of Agriculture and Maritime Fisheries. In addition, the study benefited from contributions from international experts on development of cooperatives from Agriterria, a non-governmental organization that aims to provide peer-to-peer advice to farmer organizations and cooperatives.



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The study was initiated and led by Luis Dias Pereira and Nuno Santos, economists, FAO, in collaboration with Iride Ceccacci, principal economist, EBRD. The authors at the Investment Centre Division of FAO are Luis Dias Pereira, Nuno Santos, Arianna Carita and Genevieve Theodorakis, all economists. Giulio Marchi, forestry officer, FAO, designed the maps in Chapter 3. The research team also included Hagen Henry, expert on cooperative law, Maria Ricci, engineer, FAO, and two Moroccan experts: El Hassan Bourarach, agronomist, and Ahmed Ghazali, legal adviser. Abdelkrim Azenfar, director, Office for the Development of Cooperation (ODCO) and his team, as well as Mustapha Ben El Ahmar and Ali Benmokhtar from the *Centre d'Etudes et de Recherches du Groupe Credit Agricole du Maroc* (CERCAM) provided valuable written inputs to the study.

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Fruits et Légumes (FIFEL), Fédération Interprofessionnelle des Viandes Rouges (FIVIAR), Interprolive, Maroc Taswiq, Union Nationale des Cooperatives Agricoles Marocaines (UNCAM), Union Tissaliouine Argane, and the United Nations Office for Project Services (UNOPS).

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ACRONYMS AND ABBREVIATIONS

ADA	Agricultural Development Agency/ <i>Agence pour le Développement Agricole</i>
ADS	Social Development Agency/ <i>Agence de Développement Social</i>
AGR	<i>Activités Génératrices de Revenus</i>
ANARBOM	National Association of Mountain Tree Crop Producers/ <i>Association Nationale des Arboriculteurs de Montagne</i>
ANB	National Butchers Association/ <i>Association Nationale des Bouchers</i>
ANCA	National Association of Argan Cooperatives/ <i>Association Nationale des Cooperatives d'Argan</i>
ANDZOA	National Agency for the Development of Oases and Argan Forests/ <i>Agence Nationale pour Le Développement des Zones Oasiennes et d'Arganier</i>
ANOC	National Sheep and Goat Association/ <i>Association Nationale Ovine et Caprine</i>
ANPVR	National Association of Red Meat Producers/ <i>Association Nationale des Producteurs de Viandes Rouges</i>
APEFEL	Moroccan Association of Producer and Exporters of Fruits and Vegetables/ <i>Association Marocaine des Producteurs Exportateurs de Fruits et Légumes</i>
BDCO	Cooperative Development Office/ <i>Bureau du Développement des Coopératives</i>
CAM	<i>Coopératives Agricoles Marocaines</i>
CBO	Cooperative Bank of Oromya
CERCAM	Studies and Research Centre of the Groupe Credit Agricole du Maroc/ <i>Centre d'Etudes et de Recherches du Groupe Credit Agricole du Maroc</i>
COGECA	General Confederation of Agricultural Cooperatives in the European Union
COMAPRIM	<i>Coopérative Marocaine De Primeurs</i>
COPAG	<i>Cooperative Agricole</i>
DDFP	Value Chain Development Division/ <i>Direction du Développement des Filières de Production</i>
DEFER	Education, Vocational Training and Research Department/ <i>Direction de l'Enseignement, de la Formation et de la Recherche</i>

EACCE	Independent Institution for Exports Control and Coordination/ <i>Etablissement Autonome de Contrôle et de Coordination des Exportations</i>
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDA	Agriculture Development Fund/ <i>Fonds de Développement Agricole</i>
FEDAM	Fruit Tree Crops Interprofessional Federation/ <i>Fédération Interprofessionnelle de la Filière de l'Arboriculture Fruitière</i>
FIMALAIT	Moroccan Dairy Interprofessional Federation/ <i>Fédération Interprofessionnelle Marocaine du Lait</i>
FIMAP	Beekeepers Interprofessional Federation/ <i>Fédération Interprofessionnelle Marocaine des Apiculteurs</i>
FIVIAR	Red Meat Interprofessional Federation/ <i>Fédération Interprofessionnelle Des Viandes Rouges</i>
GAP	Good Agricultural Practices
GCAM	<i>Group Crédit Agricole du Maroc</i>
GDP	gross domestic product
GEF	Global Environmental Facility
GIEs	Economic Interest Groups/ <i>Groupements d'Intérêt Economique</i>
GIS	Geographic Information Systems
HACCP	Hazard Analysis and Critical Control Points
HCEFLCD	Office of the High Commissioner for Water and Forests and the Fight against Desertification/ <i>Haut Commissariat aux Eaux et Forêts et à la Lutte Contre la Désertification</i>
ICA	International Cooperative Alliance
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
INDH	National Initiative for Human Development/ <i>Initiative Nationale pour le Développement Humain</i>
MAD	Moroccan dirham (currency)
MAESS	Ministry of Handicrafts, Social Economy and Solidarity/ <i>Ministère l'Artisanat et de l'Economie Sociale et Solidaire</i>
MAPM	Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests/ <i>Ministère de l'Agriculture, de la Pêche Maritime, du Développement Rural et des Eaux et Forêts</i>
MCA	Millennium Challenge Account

MDCGAEG	Minister Delegate to the Head of Government in charge of Economic and General Affairs/ <i>Ministère Délégué auprès du Chef du Gouvernement, Chargé des Affaires Economiques et Générales</i>
NGO	non-governmental organization
ODCO	Office for the Development of Cooperation/ <i>Office du Développement de la Coopération</i>
ONCA	National Extension Office/ <i>Office National du Conseil Agricole</i>
ONSSA	National Food Safety Office/ <i>Office national de sécurité sanitaire des produits alimentaires</i>
PAN-LCD	National Action Plan for the Fight against Desertification/ <i>Programme d'Action National de Lutte Contre la Désertification</i>
PMV	Green Morocco Plan/ <i>Plan Maroc Vert</i>
PNEEI	National Water Saving and Valorization Programme/ <i>Programme National d'Économie et de Valorisation de l'Eau</i>
PSF	Prudential Stabilization Fund
SAGB	<i>Coopérative Souss d'Amélioration Génétique des Bovins</i>
SNESS	Social Economy National Strategy/ <i>Stratégie Nationale pour le Développement de l'Economie Sociale et Solidaire</i>
TEF	Tamwil El Fellah
UN	United Nations
UNCAM	<i>Union de Cooperatives Agricoles Marocaines</i>
UNOPS	United Nations Office for Project Services



EXECUTIVE SUMMARY

Cooperative forms of enterprise receive attention from policy-makers, donors and researchers worldwide, thanks to their perceived potential to contribute to inclusive economic development. Morocco is no exception, where since the late 1990s the number of cooperatives has increased significantly, incentivized by a number of support programmes. In 2014, a new legal framework was introduced to further enable the creation and development of cooperative enterprises in the country. This study focuses on the impacts of the recent policy and legal frameworks on the characteristics of the cooperative fabric in agriculture in Morocco and on the challenges and opportunities that lie ahead for stronger participation by cooperatives in the development of the agriculture sector.

An enabling legal environment for cooperative collective action

Cooperatives are defined by the International Cooperative Alliance (ICA) and the International Labour Organization (ILO) as *autonomous associations of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise*. This definition is broader than those adopted in some national legal texts on cooperatives and can include what are known in many countries as associations, unions, federations, etc. In Morocco this definition includes cooperatives as well as their unions, associations and some economic interest groups (*Groupements d'Intérêt Economique* - GIEs).

Cooperatives are broadly characterized by having objectives, a governance structure and forms of surplus distribution that differ from conventional enterprises. These characteristics (or principles) render them more attractive than conventional enterprises for economic agents with specific preferences – namely, those seeking forms of association that focus on providing services to their members (e.g. to improve members' profits or provide secure jobs) or those looking for enterprises where there is a possibility of equal participation in decision-making regardless of the invested amount. In addition, cooperatives are attractive because they can provide some types of public goods and supply services that the market is often not able to provide.

On the other hand, the same specific characteristics of cooperatives can also reduce the incentives for investment by members and may induce suboptimal services portfolios and capital investments insufficient to keep up with competition. Such characteristics include democratic member control and the distribution of surplus based on the volume of transactions (rather than voting rights and profit distribution proportional to the invested amount – or

shares value – as in other forms of collective enterprise), which hinder the transferability and the appreciation of rights (shares). Many legal systems and cooperatives across the world have, to a greater or lesser extent, adopted strategies to overcome some of these identified constraints, drifting away from some core principles of cooperatives.

The Moroccan law is aligned with the international cooperative principles but is also flexible. Cooperatives must have a democratic decision-making process at their core and their surplus must be distributed according to the volume of transactions; consequently, ownership rights not linked to investment are non-transferable and non-appreciable. However, the Moroccan legal framework leaves some flexibility regarding how to deal with some of the constraints to investment in cooperatives and provides for different legal forms of cooperative collective action with various degrees of flexibility in their capital and governance structure. For instance, the GEs share a few features with cooperatives as: (i) they should not generate benefits other than those related to the members' common activities; (ii) profits are to be distributed by the members or to constitute a reserve; and (iii) the members' shares are "non-negotiable". However, the nature and structure of capital and governance of GEs are mostly freely stipulated by a contract between the members.

A review of the current legal framework suggests that the main constraints to investment in Moroccan cooperatives do not reside in the law. This does not mean, however, that the law is well understood and used efficiently by all stakeholders. In particular, cooperatives, unions and GEs have been promoted without a clear understanding from all stakeholders of the implications of the existing differences between these legal forms and this may result in low success rates for the cooperatives supported. Both government-supported and development partner-supported programmes often do not adequately address this important issue.

The big drive for cooperative creation

In Morocco, during the last 15 years, cooperatives have been a preferred vehicle for implementation of social and subsector development policies, particularly in less-favoured rural areas with a large number of farmers who have small landholdings. The policy focus on cooperatives may have some merit from a rural development perspective and also as a "business" solution to land fragmentation but existing mechanisms do not always ensure a comprehensive support environment for the development of cooperatives, including specialized legal and management advisory services, financing of applied research or the preparation of statistics dedicated to the country's social economy organizations. Moreover, they do not guarantee that cooperatives are formed with common objectives, other than accessing government incentives. This phenomenon has resulted in many non-operational cooperatives that are possibly just instruments for private benefits – so-called *de jure* cooperatives. *Centre d'Etudes et de Recherches du Groupe Credit Agricole du Maroc*

(CERCAM) and PCM Consulting estimate that only 10 percent of the agricultural cooperatives in the country can be considered to have a clear purpose and defined plan and the *modus operandi* to fulfil it; i.e. currently only 10 percent are estimated to be *de facto* cooperatives.³

This means that a significant share of investments have resulted in inefficient use of public funds, lost opportunities for cooperatives' members, and a negative impact on the image of cooperatives, which can in turn undermine the business outlook for *de facto* cooperatives in several ways: credibility with clients and suppliers, creditworthiness, product image, etc. This is not a phenomenon exclusive to Morocco.

Lack of capacity to sustain growth

The general lack of managerial and financial management capacity in agricultural cooperatives makes it difficult to ensure the sustainability and growth of operations and creates obstacles in terms of access to finance, as these enterprises will often lack sound and clear business plans, adequate financial statements or a history of engagement with banks by their members. This weak or partial technical capacity generates additional problems, such as difficulties in adopting competitive industrial processes or adequate quality control systems.

The circumstances in Morocco are not very different from those commonly found in other countries. The analysis in this study suggests that lack of managerial and technical expertise is clearly a problem in the context of Moroccan cooperatives and has not yet been addressed adequately despite many efforts. For example, the red meat value chain faces difficulties in controlling meat quality, differentiating itself in the market and reaching markets that would pay a premium for a higher quality product. Argan oil extraction by cooperatives is less cost-efficient than that undertaken by large companies with more sophisticated equipment. The argan value chain is a good example of how lack of technical, managerial and investment capacity can lead to cooperatives losing competitiveness relative to other industry players, thus compromising their sustainability.

Challenges in financing cooperative action

The ratio of private credit to GDP in Morocco is higher than in many developing nations but still substantially below what can be found in countries with higher per capita income. Morocco has made great progress in terms of developing

³ This estimate is based on the 438 cooperatives which are benefiting from the Mourafaka building programme and approximately 1000 cooperatives that constitute the cooperatives' client base of GCAM. The sample is not random and therefore there is no accurate account of the number of fully functional cooperatives. However, discussions held with cooperative stakeholders, industry organizations and public officials suggest the share of *de facto* cooperatives in the total number of cooperatives registered in Morocco is small.

financial products for the agrifood sector and increasing supply but there still seem to be difficulties in reaching a large share of the agrifood sector stakeholders. *Group Crédit Agricole du Maroc* (GCAM) is the leading agrifood sector bank in Morocco and offers a large range of financial products for agriculture, with a total of USD 6.9 billion in outstanding loans, 60 percent of them to agricultural enterprises. GCAM has nearly 100 percent of market share in credit to family farmers and small cooperatives, as it finances investments in all value chain tiers across all agricultural subsectors.

GCAM has sought to increase its client base to include those who are often non-bankable, including many agricultural cooperatives. This segment has been serviced through the GCAM subsidiary, *Tamwil El Fellah* (TEF), since 2009. The cross-subsidization of GCAM services for common human resources, its agricultural market knowledge and infrastructure and a largely diversified portfolio, together with a credit guarantee fund set up by the state (the PSF) covering up to 60 percent of the risk, were key to rendering the development of TEF financially feasible.

TEF represents a breakthrough and a regional benchmark in terms of credit provision to rural enterprises – of a total of around 1000 cooperatives that benefit from credit from all the GCAM subsidiaries, 365 of them benefit from credit from TEF.⁴ As of 31 December 2016, TEF had disbursed a volume of credit of USD 160 million⁵ to 70 000 clients, more than 10 000 of whom received credit through cooperatives. However, there is still significant room for expansion; by the end of 2016, of the 750 000 agricultural holdings that GCAM estimates as belonging to the TEF clients segment, only about 9.3 percent had accessed credit.

Different current relevance and prospects for cooperatives across agricultural subsectors

Morocco has around 11 000 registered agricultural cooperatives. Their size (both in members and capital) and number vary largely across subsectors within agriculture. The level of maturity of cooperatives and the services they provide in each subsector also vary substantially.

Cooperatives play an important role in the milk and fruits and vegetables subsectors. Milk processing cooperatives are already rather mature and face strong competition from the main country milk processor, *Centrale Danone*, which conditions them to keep high levels of quality and innovation in their

⁴ The GCAM also finances approximately 40 GIEs, mostly in the olive oil and palm dates sectors.

⁵ Estimated public and private investment needs for the next five years as in the current *contrats-programme* are: MAD 29.5 billion for olives, MAD 21 billion for fruits and vegetables, MAD 9 billion for citrus crops, MAD 7.6 billion for dates, MAD 10.2 billion for fruit trees, MAD 2.8 billion for argan, MAD 100 million for saffron, MAD 100 million for roses, MAD 12 billion for dairy, MAD 5 billion for red meat, and MAD 1.48 billion for honey (MAPM, 2015).

products. Some cooperatives that supply to Central Danone receive technical support from this company for their improvement and sustainability, but also depend almost exclusively upon this buyer to sell their production.

The dairy sector's continued competitiveness implies investments in productivity improvements, especially in securing production sustainability, given water scarcity scenarios in the country. Increases in production are likely to be driven by increases in productivity (per animal, per dollar of input, and per drop of water), obtained through efficiency gains from land and herd consolidation and herd genetic improvement.

Cooperatives operating in the fruits and vegetables subsector also have good growth opportunities linked to both exports and increased domestic consumption. The evidence is that new successful cooperatives are still emerging. However, the sector as a whole is greatly threatened by water scarcity and cooperatives will increasingly be called to play a role in water management and ensuring sustainability of production.

The argan subsector emerged with the support of international donors through women's cooperatives. The argan oil market is expected to grow and Morocco enjoys being the only producer worldwide. However, cooperatives still face difficulties in terms of competitiveness due to lack of industrial investments (namely in efficient oil extraction). They also face difficulties in exporting directly (e.g. establishing contacts abroad and dealing with export procedures and formalities); thus they must resort to intermediaries for export. Argan cooperatives will require strong commercial partners (possibly including large cooperatives operating in the same geographical area) with technical knowledge and investment capacities to introduce product and operational processes innovations.

In many subsectors, such as olive oil, oasis crops, red meat, fruit tree crops and honey, cooperatives seem to play a less prominent role. Most cooperatives seem to have resulted from government actions stimulating their development, such as the PMV's push for "aggregation" in the case of the cooperatives and GIEs in olive oil and dates. Oasis crops and olive oil have international and domestic markets with potential for growth in volume and further value addition, but they still suffer from severe constraints with regard to product quality, consumer awareness, and cooperative members' technical capacities in production, management and marketing. In general, the remaining subsectors (red meat, honey and fruit tree crops) require even deeper reforms in their production and market structures and/or strong capacity development interventions so that incentives to collective action can materialize.

Opportunities at policy level

Since the inception of the National Initiative for Human Development (INDH) and the Green Morocco Plan (PMV), both the Moroccan government and its development partners have supported the development of cooperatives as an

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instrument of agricultural development promotion, and more specifically poverty reduction and social inclusion. From 2005 to 2015, the number of cooperatives in Morocco increased nearly threefold, reaching 15 000 (around 11 000 of which are agricultural cooperatives). However, recent and current policies do not yet provide a comprehensive supportive environment for the development of cooperatives and often overlap in some fields (e.g. financing of cooperatives' assets).

Examples of opportunities for increased direct support to cooperatives include financing applied research and education to the benefit of cooperatives, structuring incentives and funding mechanisms for private technical support services and developing statistics and information systems on the cooperative fabric in the country.

Indirect support to cooperatives can also induce important results, as the development of cooperatives (and other forms of collective action) depends in many cases on subsector-specific policies and their form of enforcement. For example, investment in assets in the red meat or olive oil subsectors will be more effective if combined with the enacting and enforcement of policies that induce changes in consumer demand patterns that may in turn generate market incentives for value chain vertical integration and primary producers' collective action. In these subsectors, such policies depend to a large extent on food quality and safety regulation improvements and enforcement, as well as on consumer awareness on quality issues.

Financial services to the agriculture sector in Morocco are well developed and cover all the subsectors targeted by the government's agriculture development policies, even though some market segments are served by virtually only one bank, GCAM. GCAM has launched a subsidiary that specializes in providing credit to the segments of rural populations that usually have poor access to financial services (e.g. those with low or no formal form of collateral). Nevertheless, GCAM estimates that only 10 percent of the cooperatives are "bankable" and there is an opportunity for banks to engage in activities that strengthen cooperatives' governance and business plans so as to improve their "bankability."

The capacity to enact and enforce more enabling policies for the development of cooperatives also depends on the country's institutional framework and interinstitutional coordination. In Morocco, there are four ministries setting policies that directly influence the environment (land access, trade regulations, cooperative laws and agricultural policy) in which cooperatives develop. With regard to support services, the Ministry of Agriculture and Maritime Fisheries, Rural Development, Water and Forests (MAPM) contains about ten agencies and divisions tasked with supplying technical support for rural stakeholders, including cooperatives. The Office for the Development of Cooperation (ODCO) and a number of non-governmental organizations (NGOs), development agencies and banks also provide technical assistance to cooperatives. There is therefore an opportunity to streamline the institutional setting and to improve coordination

among those responsible for policy design and for enabling the development of technical and financial support services to cooperatives in Morocco.

This study concludes that there should be a phased approach, with clear targeting of specific subsectors and cooperatives, in order to maximize the impact of support programmes. In the short to medium term, the focus should be on direct support services for cooperatives whose members have a clear business vision and operate in value chains and thus already have a conducive policy environment for collective action. In the medium to long term, an improvement of the general policy environment in those subsectors that currently have low incentives for value chain vertical integration or collective action could be the most effective measure to encourage cooperatives (and other forms of collective enterprise) to play a larger role in the national economy.

A framework for action

The present study and the discussions that have accompanied its implementation have resulted in a preliminary framework to support collective action in the country. Key areas of intervention addressing the main issues identified above can be classified into: (i) targeted support for cooperatives with feasible business models; (ii) increased access to finance; (iii) improved access to information and a knowledge base on cooperatives; (iv) simplification of institutional arrangements and improvement of interinstitutional coordination; and (v) removal of market distortions and improving basic infrastructure in specific agrifood value chains required to create incentives for developing sustainable cooperatives. Figure 1 summarizes how interventions in these main areas can contribute to strengthened collective action in agriculture through improved cooperatives (and GIEs or unions).

Improvements on these fronts imply: (a) leveraging international best practices; (b) promoting more private sector service provider networks, including through interprofessions as well as unions and federations; (c) switching from direct public services in support of cooperatives to demand-driven services, where public support is directly given to the ultimate beneficiaries (cooperatives); and (d) increasing competition and markets for finance and technical service provision. An improved knowledge base would require readily available information on the sector, including subsector-specific studies, sample surveys on cooperatives and their performance and support to other data collection efforts.

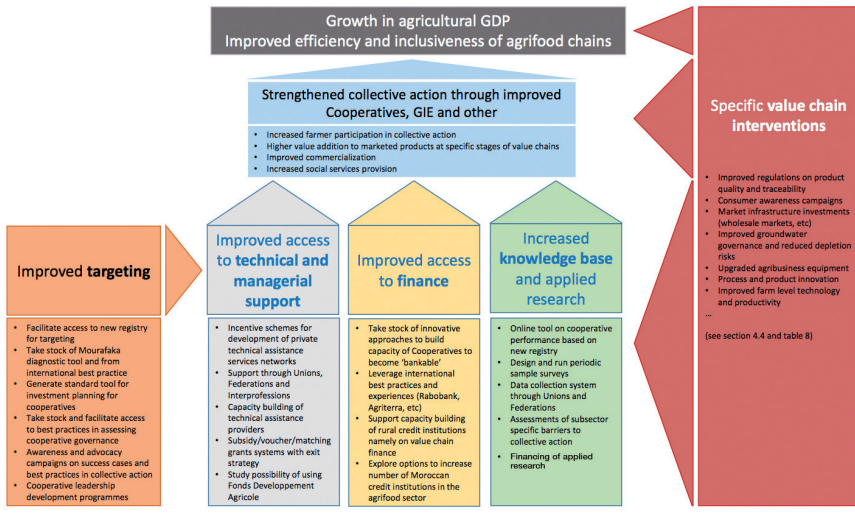
While it is clear that cooperative collective action brings benefits, it cannot be pushed at any cost because the result (functioning and sustainability of cooperatives) and ultimately the impact (improved commercialization, reduction in operating costs, etc.) are often extremely poor. The approach recommended by this study, based on international best practices and discussions held with key Moroccan stakeholders, is to focus on cooperatives that have some potential, discerned through simple screening mechanisms. Some of these mechanisms

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already exist internationally; some have also been attempted locally and can be fine-tuned to help select cooperatives that should be eligible for technical and other forms of support. It is also recommended to support cooperative leadership programmes in order to help develop capacity of new talent.

In the short term, a working group on cooperatives development could serve as a forum and advise policy-makers on approaches that may work in support to cooperatives so that these may be scaled up. The working group would consist of cooperative representatives, ODCO, key ministries, selected interprofessions, financial institutions (GCAM, other commercial banks), international financing institutions and other key agencies. The working group would be involved in a few pilot projects in support of cooperatives based cooperatives with potential; (iii) brief studies on key constraints and capacity development needs; (iv) provision of a complete set of technical assistance services to a small number of cooperatives using existing organizations (for example, cooperatives, interprofessions, National Extension Office); and (v) establishment of linkages to financial institutions. The working group could also work on specific pilot projects on access to finance with commercial banks in Morocco. The lessons learned from such pilots and other available information (such as the cooperatives registry) would then be used for planning larger sector programmes in support of cooperatives.

Figure 1: Preliminary ideas for an action framework for support to the Moroccan agrifood cooperative sector



Source: Authors' elaboration.

■■■■■ Chapter 1 – Introduction

Cooperatives have features distinctive from other forms of enterprise. For example, they are created with objectives other than maximizing profit for their investors, such as generating jobs for their members or delivering services to otherwise unserved or underserved populations (members). In most countries they are also subject to a specific legal framework that defines, *inter alia*, their membership rules, governance, structure of capital and form of taxation.

Although operating with different objectives and under different rules from other forms of enterprise, cooperatives need to adopt competitive business models that allow them to continuously deliver services to their members over long periods of time. In countries in which they have succeeded both in adopting member-centred (rather than investor-centred) objectives and in developing sustainable business models, cooperatives have prospered as an alternative form of enterprise, motivating the participation of many individuals and, in some cases, amassing significant shares of the market for the sector in which they operate.

This study aims to assess opportunities for cooperatives to contribute to the development of the agriculture sector in Morocco, which requires an understanding of how these enterprises differ from other legal forms of collective action and what policies may have influenced the development of cooperatives *vis-à-vis* other collective enterprises in the country. The differences in the legal and policy frameworks to which they have been subject shape, to a large extent, cooperatives' contribution to agricultural development.

To set the ground for the analysis undertaken in this study, this Introduction describes the key distinctive features of cooperatives worldwide, explains how the international scene for cooperatives has changed since their creation, and provides a short history of the evolution of agricultural cooperatives in Morocco within the national context.

1.1 Key distinctive features of cooperatives

The legal and policy frameworks under which cooperatives are defined and operate differ from country to country. The standards are established by three texts that serve as international reference points for cooperatives' values and principles and explore what a supportive environment for cooperatives development should entail. These texts are: (i) the 1995 International Cooperative Alliance (ICA) Statement on the Co-operative Identity (ICA, 1995); (ii) the 2001 United Nations Guidelines aimed at creating a supportive environment for the development of cooperatives (UN 2001); and (iii) the 2002

International Labour Organization (ILO) Recommendation No. 193 concerning the promotion of cooperatives.

The ICA Statement defines seven cooperative principles: (i) voluntary and open membership; (ii) democratic member control; (iii) member economic participation; (iv) autonomy and independence; (v) education, training and information; (vi) cooperation among cooperatives; and (vii) concern for community (ICA, 1995). The ILO Recommendation No. 193 emphasizes the cooperative principles from the ICA statement and adds others, such as the right to equal treatment of cooperatives and cooperative-specific audits, as well as the nature and structure of cooperative unions, federations and confederations. The UN Guidelines define a supportive environment in which a particular focus is given to the importance of cooperative law, research, statistics and other information, education, collaborations and partnerships.

As many of the provisions in these texts relate to the constitution of an environment for development of cooperatives, rather than defining the characteristics of cooperatives, not all of them condition the distinctiveness of cooperatives from other enterprise models. The two key features in these international texts that make cooperatives distinctive⁶ are:

- The adoption of the cooperative principles of ***open membership*** and ***democratic member control***, meaning that members actively participate in setting their own policies and making decisions through **equal voting rights** (one member, one vote).
- The adoption of the cooperative principle of ***members' economic participation***, implying: (i) **distribution of surplus⁷ proportionally to the level of transaction** of each member with the cooperative, rather than through dividends based on the investment made by each shareholder; and (ii) a constitution of (at least partially) **indivisible reserves** from retained surplus.

The second feature means that the surplus is distributed throughout the suppliers of a given commodity in an output (marketing/processing) cooperative, the buyers in an input cooperative (e.g. farm machinery services or agricultural inputs) or the employees in a worker cooperative. Srinivasan and Phansalkar (2003) classify this shift in the distribution of profit/surplus from equity capital to

⁶ An additional characteristic exclusive of marketing/processing cooperatives is the possibility of pre-emptive pay-off – i.e. the possibility for a cooperative to choose to pay a certain price at delivery (possibly below market price at the time) and distribute (or retain) the surplus at the end of the period. By doing this the cooperative has: (i) more leeway on the establishment of the final price it pays for its inputs from members; and (ii) lower working capital credit needs, thus potentially reducing its variable costs and leverage.

⁷ The term “surplus” is often used for the profit derived from transactions with members. Some legal texts on cooperatives use the term “profit” to refer to that derived from transactions with non-members. This is important in countries where net earnings from transactions with members and those from transactions with non-members are taxed differently.

exchange of goods/services as the hallmark of a cooperative and, as discussed in Chapter 2, in combination with democratic decision-making, it forms the root of what most differentiates the decision-making and capital-attraction mechanisms of cooperatives from those of other forms of enterprise.

Hence, **cooperatives are member-oriented enterprises in which all members have equal voice in decision-making and surplus is distributed according to transactions.** This differs from capital-centred or investor-oriented enterprises,⁸ in which profit and accumulated capital belong to the enterprise owners according to their shareholding.

1.2 The international scene for cooperatives

Cooperatives were initially set up in Europe by and for people who were being left behind by industrialization, as the mechanization of agriculture and the politics of the time failed to address the ensuing hardships. Cooperative rules were made for enterprises that were not motivated to maximize the rate of profit for investors, but rather to serve as collective problem-solvers (Bozarga and Galera, 2012) and, in many cases, to provide services that would not otherwise develop due to market failures.⁹ With the emergence of the welfare state after World War II, disadvantaged groups gained access to a number of state-run services and consequently cooperatives started to lose their social focus and began to be dedicated to developing businesses that would benefit their members. This change in focus attracted the interest of all social classes in a form of enterprise which until then had seen interest almost exclusively from the most destitute social groups. Most importantly, governments, donors, development agencies and other actors outside the cooperative movement started being tempted to take the initiative to form cooperatives for various reasons: economic development, policy implementation, social control, etc.

Throughout this process, in some countries cooperatives have increasingly adopted the features of investor-oriented enterprises – especially with respect to governance structure (e.g. plural voting rights) and the nature and structure of capital (e.g. appreciation and transferability of shares) (Henry, 2014) – and have started to be assessed mostly with the yardstick of financial performance. As a consequence, the 1970s began to see a gradual disappearance of cooperative law as a coherent system of principles, notions, rules, practices and theories that would institutionalize the cooperative idea – as suggested, for example, by Barnes (1951).

⁸ “Investor-oriented enterprises” is the description used by authors such as Iliopoulos (2005), Bozarga and Galera (2012) and Srinivasan and Phansalkar (2003) to distinguish these from cooperatives.

⁹ Many early cooperatives provided social services (e.g. worker cooperatives ensuring humane work conditions in the United Kingdom, consumer cooperatives selling products at a discount in the United States of America or credit unions providing affordable credit in Germany).

Despite not having a common purpose worldwide, cooperatives have continued to grow in number and membership. A global picture of the importance of cooperatives worldwide can be given by some figures reported by the International Organisation of Industrial, Artisanal and Service Producers' Cooperatives:¹⁰

- One billion people worldwide are members of cooperatives – three times the number of shareholders.
- In Finland, the number of cooperative memberships outnumbers the population.
- Cooperatives provide income for the livelihoods of around 250 million people.
- Cooperatives represent between 4 and 40 percent of contribution to gross domestic product (GDP), depending on the sectors; agriculture and credit and savings are the most important ones.
- One-half of the world's food is produced, processed and/or commercialized by cooperative enterprises.
- In addition, the General Confederation of Agricultural Cooperatives in the European Union (COGECA) estimates that in Europe agricultural cooperatives manage over 40 percent of farm supply, as well as collecting, processing and marketing of agricultural products (COGECA, 2014).

The social and economic importance of cooperatives, as well as increasingly documented cases of services provided by them (see Box 1 for examples) has led to a renewed interest in cooperatives – cooperative law, in particular – from academia, practitioners and politicians. Most of the discussion centres around which distinctive features of cooperatives should be preserved and which should evolve.

¹⁰ Roelants *et al.* (2014). The criteria used may be questioned to some extent, however.

Box 1: How cooperatives can serve as collective problem-solvers

Being member-centred organizations, cooperatives may, under some conditions, be better outlets for the generation of particular services than investor-centred enterprises. This is particularly true when the services they can provide are not available in the market (for instance, due to low profitability or high risk). Some examples are:

Insurance schemes: The Khao Kitchakood Agricultural Cooperative of fruit farmers in Thailand managed to establish a welfare fund in order to support its members who have been affected by natural disasters, addressing a failure in the market to provide such a service (Tanrattanaphong and Boworn, 2015). Agriculture risks are often crop- and location-specific and difficult to evaluate; therefore many farmers are often left without access to financial products. Cooperatives, which are not intended to maximize profit but instead to provide services that interest the majority of members and members' businesses, may be in a position to establish otherwise risky and financially uninteresting insurance funds.

Social changes in communities: The Phan Fisheries Cooperative in Thailand was created in an aging community that valued the presence of youth. The cooperative ran a teaching centre on Nile tilapia farming in Thailand (Ševarlić *et al.*, 2012) to attract youth to the community by creating employment opportunities for them. The objective of creating jobs for the youth superseded that of generating surplus.

Access to innovation: Experimentation and innovation have uncertain and unpredictable benefits for each member. Through cooperatives, members can participate in a forum in which, in theory, all have an equal voice but contribute to experimentation and innovation in proportion to the value of their transactions with the cooperative. In some settings, this may enable easier agreement among the parties than establishing votes and investment contributions based on expected revenue and risk profiles of each member (as in an investor-oriented enterprise).

Unfair or non-enforced legal framework-related problems: Refugee status and integration can be improved through cooperatives with the primary aim of offering jobs. The objective is not to maximize revenue from agriculture but to keep a sustainable enterprise capable of employing more workers. Decisions on how this balance is achieved are made through democratic vote and not based on capital participation. The ILO has been working closely with agricultural cooperatives in Jordan, where 1 420 refugees have seen work permits issued through them (ILO, 2016). Economically excluded groups in some societies, such as women, can also find economic opportunities through worker cooperative organizations that prioritize inclusion of local women in economic activities over financial goals. One such example is that of Greece, where 140 women's cooperatives have emerged, mainly in the sector of agrotourism in rural areas (Gidarakou, 2007).

1.3 Cooperatives in Morocco – a long history of public support

The creation of cooperatives in Morocco started during the French protectorate with consumer cooperatives for European citizens. It was not until 1935-1938 that new laws (*dahirs*) authorized cooperative membership for all citizens and regulated the creation of cooperatives that were mostly dedicated to modernization of the traditional agricultural sectors (cereals, dairy, horticulture, olive oil, rice, livestock), providing access to credit and insurance, and to the collective purchase and use of farm machinery (Bouchafra, 2012). In this initial period of cooperative development in Morocco, agricultural cooperative members were mostly large farmers from the most productive areas of the country. By 1962, the total number of cooperatives in the country was still only 58 (Alami, 2012).

Soon after gaining independence in 1956, and in particular during the 1960s and 1970s, the country underwent an important legal reform. A key achievement was the creation of the Cooperative Development Office (BDCO) in 1962. The legal reform also influenced, *inter alia*, governance of regional banks and led to land reform in 1972 (*dahir* 1-72-278). With land reform came the creation of cooperatives associated with enterprises on previously state-owned or collective land. These cooperatives were *de facto* parastatal institutions with objectives such as: facilitating coordination between cooperative members and the agencies of agricultural development responsible for the execution of national policies; organizing the distribution of water for irrigation; or recovering taxes, fees for water or services and outstanding debts from their members (Zouhir and Ihajji, 2012).

In 1975, the BDCO was restructured into the ODCO. Its goals were to advocate regarding the role of cooperatives in generating self-employment, support their creation next to small and medium producers, assist their managers and members in improving governance and management, supply legal advice and supervise compliance with cooperative law (Alami, 2012). Simultaneously, in 1975 the *Plan Laitier* was launched, which aimed at the development of forage crops, national herd genetic improvement, professional organization of livestock breeders, value chain organization and increase in the number of milk processing units, and the improvement of sanitary control (Araba *et al.*, 2001). The *Plan Laitier* incentivized, directly and indirectly, the formation of cooperatives in the dairy sector and these were the first to develop in large numbers in Morocco (see Chapter 3). Despite these endeavors, outside the dairy sector the top-down approach to cooperatives associated with land reform, the frail support from national institutions for the formation and development of cooperatives, and the legal constraints on the scope of their activities, purpose and management have resulted in continued poor development of cooperatives during this period.

In 1984 a new law on cooperatives (24-83) was promulgated,¹¹ defining a cooperative as a “group of individuals who agree to come together to start a business and [which] is responsible for providing the product or service they need exclusively for their satisfaction.” The new law distinguished between societies, associations and cooperatives and allowed the creation of cooperatives in all sectors of economic activity. It introduced fiscal benefits, such as exemptions on VAT, sales tax (on sales to members) and intellectual property (Arouch, 2011) and regulated the provision of legal and technical support to cooperatives. It also regulated the constitution of exclusively women’s and young graduates’ cooperatives. However, the new law was not completely enforced until 1993 (ODCO, 2016).

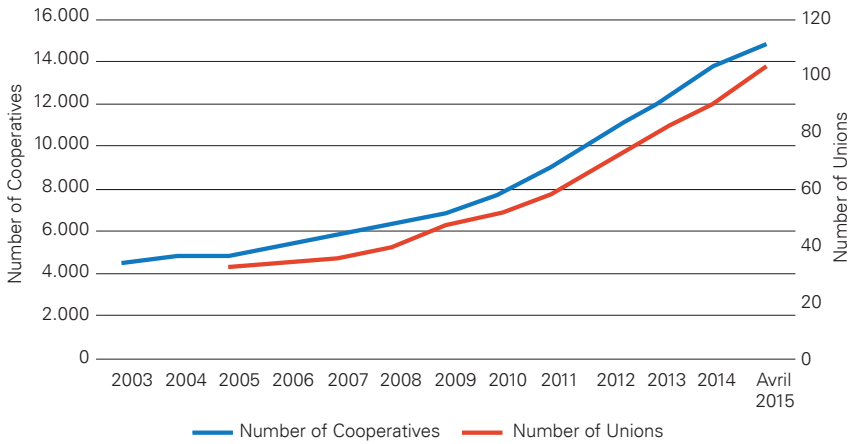
Hence, it was not until the late 1990s and in the 2000s that, with a new legal framework and a number of support programmes such as the PMV with its focus on aggregation,¹² the number of cooperatives started to increase significantly (Figure 2). As a result new agricultural activities outside the traditional subsectors began forming cooperatives. In 2015, there were over 2 000 cooperatives registered with ODCO that were dedicated to honey production, around 300 to argan, and 375 to different oasis crops.

Despite the increase in the number of cooperatives during the last decade, recent reviews of the policy and legal framework (e.g. MDCGAEG, 2011) have found that the law from 1984 and the approach to the creation of cooperatives adopted from 2000 were no longer adapted to the current economic and social context. The programmes proved to provide insufficient support for development of the human capacities that are necessary for the sustainable growth of business-minded cooperatives. The law from 1984 implied complex administrative procedures, established inefficient governance mechanisms, did not foresee a national registry of cooperatives, and did not allow for cooperatives to access public procurement or to provide services to or sell products from non-members. New legislation was enacted between 2012 and 2014 to address previous shortcomings in the legal framework.

¹¹ This law did not regulate the cooperatives associated with land reform (Zouhir and Ihajji, 2012).

¹² See Chapter 2 on recent support programmes.

Figure 2 – Evolution in the number of cooperatives and unions of cooperatives in Morocco (all sectors)



Note: In June 2015, 358 cooperatives were of young graduates (from 289 in 2011) and 2 140 were exclusively of women (from 1 213 in 2011).

Source: *Remacoop: Issues 4 (2014 - page 117) and 5 (2015 - page 47)*.

Chapter 2 – Options and policies for cooperative collective action in Morocco

The choices for collective action in a country depend on its legal and policy framework. This chapter provides an analysis of the main Moroccan legal texts and policies that influence the development of agricultural cooperatives. The first section builds on the Introduction to provide more in-depth background on the differences between a “traditional” cooperative and other forms of collective action organization, focusing particularly on their capacity to establish governance and capital structures that attract investment and enable growth. The following sections assess how much the definition of cooperatives and their supportive environment in Morocco are aligned with the “traditional” international norms.

2.1 Cooperatives, a distinctive a form of collective action

The distinctive governance (democratic decision-making) and surplus ownership forms of member-oriented enterprises, as presented in the Introduction, render cooperatives better able to address some market failures (see examples in Box 1) and, according to some authors (e.g. Birchall and Ketilson, 2009), more resilient to crises and successful in the achievement of their purposes over the long term (see second example in Box 2). Other authors (e.g. Iliopoulos, 2005), while not denying these advantages, also argue that cooperative principles, such as open membership and democratic member control or the distribution of surplus based on the volume of transactions, constrain cooperatives’ growth and capacity to optimize the portfolio of services they provide to their members. In investor-oriented enterprises the shareholders’ claim on profit is based on equity – i.e. the non-retained profit (dividends) is distributed according to shareholding; retained and reinvested profit contributes to increases in share value. In cooperatives, where claims on surplus are usually based on transactions, either: (i) all the surplus is fully paid off to the members – and at the end of each period there is no residual claim; or (ii) the non-distributed surplus is incorporated into a cooperative reserve fund and partially reinvested – and over a period of multiple years it becomes difficult to assign shares of the increases in cooperatives’ assets to individual members. Therefore in cooperatives ownership rights are illiquid, non-transferable and non-appreciable. Table 1 summarizes key constraints to cooperatives’ development identified in the literature.

Table 1: Constraints faced by cooperatives vis-à-vis investor-oriented enterprises

Investment constraints	
Open membership can enable <u>free riders</u>	New members obtain the same patronage and ownership rights as existing members, despite not having contributed to past investments. This generates a disincentive to invest in a cooperative given that the rate of return to investment for existing members may be reduced in the future.
No transferability* and/or appreciation of rights can lead to a <u>horizon</u> problem	Equity can usually only be returned at book value regardless of the value of the cooperative itself, inducing a pressure to increase the proportion of the cooperative's cash flow devoted to current payments to members relative to investment in cooperatives' assets.
...and to difficult matching of cooperative asset <u>portfolios</u> to risk preferences	The lack of transferability, liquidity and appreciation mechanisms for exchange of residual claims, as well as investment decision-making "tied" to patronage, means that members hold suboptimal portfolios and those who are forced to accept more risk than they prefer (through general assembly decisions) will pressure cooperative decision-makers to rearrange the cooperative's investment portfolio, even if the reduced risk portfolio means lower expected return.
Collective decision-making constraints	
Divergence of interests between members and the managers can make <u>control</u> overly costly	Agency costs can arise from the divergence of interests between the members (and board of directors) and the manager. Two major categories of such costs exist: the costs of monitoring the manager and the costs of managerial opportunism that result from failure to effectively monitor the manager. This principal agency problem common to all enterprises is exacerbated in cooperatives, in which often directors may have little or no experience in exercising control, causing governance bodies to operate with a handicap.
Democratic decision-making may <u>increase transaction</u> costs	Heterogeneous memberships can result in conflicts among various groups of members within the cooperative. As each of these groups tries to influence the decisions of the board and the management to its own benefit, the cooperative firm incurs high costs that may take many forms, such as delayed, wrong, or simply no business decisions made or loss of cooperative stakeholders' time (opportunity cost).

* Note: non-transferability is not inherent to cooperatives but is transaction cost economizing in a firm that allocates residual rights based on volumes of commodity supplied that are not specified *ex ante* (instead of allocating them based on equity) – see Srinivasan and Phansalkar (2003) on claims on surplus retention in cooperatives.

Source: Authors' summary of Iliopoulos (2005) review

As demonstrated in the literature (e.g. Iliopoulos, 2005; Sánchez-Pachón, 2016; Srinivasan and Phansalkar, 2003), many cooperatives across the world have, to a greater or lesser extent, adopted strategies to overcome some of the identified constraints. Table 2 summarizes the strategies most commonly found in the literature. Box 2 provides examples of their application. Generally,

these strategies somehow infringe some of the cooperative principles (e.g. open membership or democracy) that by definition distinguish cooperatives from investor-oriented enterprises. Some strategies also emphasize the cooperatives' function of surplus distribution to the detriment of, for example, the "concern for community" (e.g. providing stable jobs to disadvantaged locals or establishing health insurance schemes) enshrined in the ICA cooperative principles. Hence the choice on the adoption of such strategies by legislators and cooperative members depends on the actual materialization of the constraints summarized in Table 1 in each context and on the nature of the members' interests in the cooperative.

Table 2: Strategies to overcome common constraints faced by cooperatives

Nature and structure of membership and capital – solving investment constraints

On free riders: (i) marketing contracts (possibly including quality standards) with the members, tied or not with the purchasing of delivery rights; (ii) restricted membership; (iii) predetermined fixed transactions (in volume) per product and member; (iv) increase in the share value (equity contribution from new members) through a general assembly decision; (v) investment in expansion financed with equity from new members or members wanting to increase their transactions.

On the horizon problem: (i) base-capital plans¹³ so as to keep the patron's equity contribution closely in line with their use of the cooperative; (ii) cooperative equity in the form of appreciable and transferable delivery rights, value of which is a function of the cooperative's surplus; (iii) saving schemes in which members' contributions are aligned with their commodity supply level.

On portfolio optimization: (i) subsidiaries or joint ventures with other cooperatives and/or investor-oriented enterprises; (ii) multiple pool systems, in which individual members can elect to invest in and sign usage commitments for specific investments¹⁴; (iii) upfront equity in which the total amount of equity to be raised is broken into small units and the purchase of shares is linked to the amount of product to be delivered; (iv) participatory securities (e.g. bonds).

Governance – solving collective decision-making constraints

On control costs: proportional (to the transactions) voting; external audit; some of the strategies above, such as restricted membership.

On influence costs: strategies listed above, such as multiple pool systems.

Note: Some strategies may address more than one constraint; the classification above was made to simplify the analysis.

Source: Authors' summary from Iliopoulos (2005), Sánchez-Pachón (2016) and Srinivasan and Phansalkar (2003).

¹³ The plan establishes a target amount of required equity that is periodically and systematically adjusted to meet the current capital needs of the cooperative. In addition it keeps the patron's equity contribution closely in line with their use of the cooperative (USDA, 1995).

¹⁴ For more on multiple pool systems see, for example, Kenkel and Long (2007).

The strategies summarized in Table 2 have their own intrinsic limitations. For instance, capital-based plans, multiple pool systems or appreciable equity imply (differentiated) initial capital investment requirements that can place a financial burden on new members and act as a barrier to membership. These mechanisms are also more complex than the traditional reserve or revolving funds, requiring managers with the knowledge to promote and implement them and, when not well understood by the members, reduce management transparency.

In sum, there are important trade-offs underlying the specific strategies used to overcome constraints faced by cooperatives. This means that policy-makers need to decide how much freedom to include in the cooperative legal framework with regard to cooperatives' membership, capital and governance structures. Similarly, cooperative members need to understand the common traditional cooperative features and the impact of innovative internal arrangements to make their specific cooperative work better.

Changing the features of one country's cooperatives implies law and regulation review and possible amendments, but also institutional coordination, technical support and dissemination of knowledge and financing instruments and mechanisms that allow the implementation of the chosen strategies. The next sections of this chapter look at the Moroccan legal, institutional and policy frameworks, in order to discuss where Morocco stands in terms of providing an enabling environment for development of cooperatives as important players in the agriculture sector.

Box 2: Strategies to overcome investment constraints

Srinivasan and Phansalkar (2003) describe an interesting case from India. The country's legislation restricts the dividend on equity and considers retained earnings (in a reserve fund) common property with no exit rights. Membership can be restricted by the general assembly. Within this framework, sugar cooperatives in India work with three claim bases: (i) commodity (sugar cane) supply; (ii) equity; and (iii) non-withdrawable deposits. All three claim bases are aligned – i.e. each season members receive a payment based on the volume of supplied cane; a share of retained surplus proportional to the value of each member's cane supply is deposited in an individual non-withdrawable account; and the amount of equity required from each joining member is proportional to their cane-growing surface (an approximate alignment). Non-withdrawable accounts offer a market rate of return and have exit rights (using this right implies forfeiting membership). They work as quasi-equity as they are aligned with cane supply and hence with shareholding. Shares and deposits can be transferred under a number of conditions so as to not hurt existing members. Most sugar producers in India are aware of the share prices of several cooperatives in the neighborhood and appear to use this as an index of performance.

Jones and Kalmi (2012) provide other interesting case studies on the trade-offs between traditional compliance with the cooperative principles and stronger competitiveness. One such case is that of Mondragon, a worker cooperative, which is the largest business group in the Basque Country and the tenth largest in Spain, operating in finance, industry and retail. Mondragon embarked on joint ventures with firms and created subsidiary companies in order to face competition. This required forgoing, to some extent, open membership to all employees, democratic principles and losing focus from the main objective of providing stable employment and benefits to its members. However, the conglomerate owners/members were willing and able to negotiate employment conditions, job transfers and cross-subsidization between enterprises during the crisis and Mondragon managed to avoid bankruptcies and layoffs (The Economist, 2009). As it strengthened its position in the market, it refocused on its original objectives of having most of its salaried employees as members, abiding by the principle of democracy, and offering stable jobs and benefits.

Complete case studies available online at: <http://onlinelibrary.wiley.com/doi/10.1111/1467-8292.00228/epdf> and <http://www.jeodonline.com/sites/jeodonline.com/files/articles/2012/12/21/jeodjones-kalmieconomiesofscalesversusparticipationacooperativedilemma.pdf>

2.2 Current legal framework for collective action

This section provides a discussion on the Moroccan legal framework that regulates collective action organizations in Morocco. It starts by providing an overview of the current law on cooperatives and then it presents a comparative analysis of cooperatives *vis-à-vis* other legal forms of collective action organization. The analysis seeks to assess how well the current legal framework is suited to the characteristics of cooperatives and also to identify opportunities to overcome legal constraints faced by cooperatives.

2.2.1 The law on cooperatives – law no. 112-12 – an enabling legal framework

The current law (no. 112-12) came into force in January 2015, replacing the first law on cooperatives promulgated in 1984. It regulates all types of cooperatives with the exception of cooperatives of the agrarian reform. As compared to the previous law on cooperatives, this law achieves its objectives of simplifying the registration procedure, addressing the multiplicity of interveners in the sector, improving the administration and financial management of cooperatives and abrogating rules which had become redundant with the gradual economic liberalization of the country. Furthermore, the law makes a clear reference to international cooperative standards and is quite in line with countries where cooperatives find an enabling legal environment for their development. Unlike in some other countries, in Morocco the law does not include restrictions on the sectors where cooperatives are allowed to operate, and it is flexible with regard to the scope of activities that can be carried out by members and the minimum number of members (five) or assets (MAD 1 000) required to establish new cooperatives. It also does not impose burdensome obligations on cooperatives that do not apply to investor-oriented enterprises, as some countries impose.

Cooperative membership and capital – a traditional approach with some flexibility

The Moroccan regulation adopts a rather traditional approach with regard to the nature and structure of membership and capital of cooperatives: a one-member-one-vote system in which ownership rights are non-transferable and non-appreciable.¹⁵ However, the Moroccan general legal framework leaves some flexibility on how to deal with some of the constraints to investment common to cooperatives and described in the first section of this chapter.

The law no. 112-12 restricts financing mechanisms to members' shares, credit and reserve funds (from surplus), and plural voting rights¹⁶ are not allowed. However, it enables a number of strategies/mechanisms to facilitate financing:

- Members are allowed to hold unequal shares without limitation and increase their shareholding;

¹⁵ In case of liquidations the cooperative's assets should be transferred to the union to which it belongs – although the law is not explicit regarding what should happen in case the cooperative does not belong to a union or a federation. The new law allows the transformation of a cooperative into companies/societies but it is not clear how the claim on the assets (including the reserve fund) is shared by the shareholders or if the reserve fund can be withdrawn, given that the surplus from which it was formed has been tax-exempted (see further below for income tax-exempted cooperatives).

¹⁶ An increasing number of legislations – e.g. the German cooperative law and EU Regulation 1435/2003 on the Statute for a European Cooperative Society – allow for plural voting rights, but not in proportion to share value and often limited to not more than 5 votes per member).

- Cooperatives can also have other cooperatives as members (i.e. be “holding” cooperatives), own shares of subsidiary companies and establish joint ventures;¹⁷
- Cooperatives can choose regarding the obligation of the members to transact with the cooperative and to make pre-emptive payoffs; and
- Cooperatives can restrict membership.¹⁸

Although the law does not provide for the financing of new ventures with equity exclusively from a number of interested members (e.g. multiple pool systems) nor for base capital plans, these can in practice be set up in the statutes. This means that, in practice, upfront equity can be linked to the amount of product to be delivered and capital remunerated according to equity. Cooperatives can set up a system similar to that of the sugar cooperatives in India described in Box 2, through contracts and/or statutes. Box 3 describes some of *Cooperative Agricole* (COPAG)’s investment attraction strategies in the context of Morocco’s current legal framework, particularly of the law no. 112-12.

This analysis suggests that the main constraints to investment for Moroccan cooperatives do not reside in the law. Although there are a number of capital-raising and structure forms that are not provided for in the cooperatives law, the Moroccan law is still flexible enough as to allow for the adoption of a sufficient number of strategies to secure the interest of members and other investors in funding their enterprises. A good illustration is COPAG (see Box 3 below); it registered significant growth in assets and turnover while subject to a more complex and restrictive law than the current one (for instance, cooperatives could not be converted into companies or transact with non-members). Surely additional mechanisms, such as allowing saving schemes for members, could facilitate raising capital for new investments. However, international evidence points to being cautious on this matter. For example, Sánchez-Pachón (2016), in an article on alternative financial instruments for Spanish cooperatives, concludes that these additional mechanisms are not silver bullets. The commission elaborating the cooperatives law in Norway also concluded that there is not a substantial need for alternative capital instruments and that an introduction of such instruments (e.g. transferable investment certificates) can result in an invidious conflict between member interests and investor interests (Fjørtoft and Gjems-Onstad, 2009). Such conflict can arise especially if external

¹⁷ The law establishes a low financial liability of the members – five times the value of the shares of each member (Article 32) for a minimum share value of MAD 100. Minimum total social capital is MAD 1 000.

¹⁸ The admission of new members is decided through a general assembly. However, the law restricts one person from becoming a member of more than one cooperative per locality and objective/function. While intended to protect small cooperatives in an initial state of development, this provision risks being counterproductive – cooperatives that are secure on the number of members may be less prone to develop. It also restricts competition and freedom of association.

investors are granted voting rights in the cooperative.¹⁹ According to Norwegian law, cooperatives are expected to be exclusively based on self-financing supplemented with member savings and external loans.

Box 3: Selected features of COPAG's business model and their relation to the current legal environment in Morocco

COPAG is a holding of cooperatives. Its membership is composed of 108 natural persons (some operating only in the fruit and vegetable subsector, others in both the fruit and vegetable subsector and the dairy subsector) and 72 milk collection cooperatives with around 14 000 members. Each member of COPAG has the right to one vote. As member cooperatives represent different numbers of members and each cooperative has only one vote, COPAG functions with a proportional system at the holding level. Social capital is very low compared to the total value of COPAG's assets; thus investment is financed through retained surplus and credit. Each member cooperative receives a share of its own surplus and conducts its own investments under the supervision and technical assistance of the holding cooperative. Another share of the surplus is retained by the holding, which uses it for the operation of the milk and fruit processing plants, for new investments and for social projects (e.g. a centre for the support of rural women and vocational training centres) that benefit (unequally) all the members. Ultimate decisions on the use of this surplus are made by the general assembly.

In addition, COPAG holds a 92 percent share in a marketing and export company, *Prim Atlas*, and shares the board of directors with the *Cooperative Souss d'Amélioration Génétique des Bovins* (SAGB). SAGB and COPAG are two distinct legal entities (originally for historical reasons, as SAGB was created by the MAPM), with separate bookkeeping and balance sheets, independent sources of revenue (SAGB charges for services such as artificial insemination or heifer fattening) and sources of financing (SAGB can take independent loans). COPAG also establishes collaboration agreements with other cooperatives, training institutes and schools for the use of their facilities and services in return for COPAG services.

Hence COPAG has adopted a number of strategies to enable it to provide a wide range of services to very diverse members, achieving a compromise between the creation of multiple pools (member and partner cooperatives) that serve the specific interests of some of its members and the traditional cooperative in which all the surplus is used for the benefit of all members, regardless of their share and specific priorities.

Source: elaborated by the authors from personal communications with COPAG representatives, Grandval (2014) and Khallouf (2004).

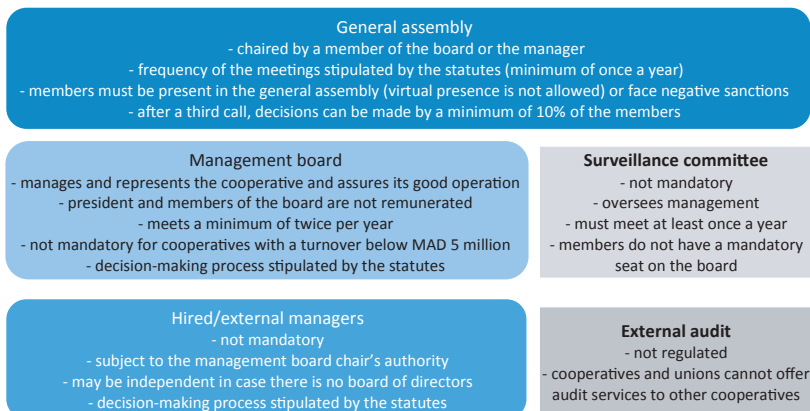
¹⁹ The Norwegian law differs from the Swedish law that allows for raising equity from external investors, who are entitled to (limited) voting powers.

Different options for improved cooperative governance

As with the nature and structure of membership and capital, the law no. 112-12 gives a certain leeway for Moroccan cooperatives to establish their model of governance. Figure 3 summarizes the cooperative governance model as defined in the law no. 112-12.

The organization and main functions of the different governance bodies defined in the law are in line with general international practice. However, the minimum requirements provided for each of them are insufficient to ensure a solid governance structure in every possible scenario and require well-formulated statutes. For instance, in an extreme scenario, a cooperative with a turnover below MAD 5 million, without a management board, surveillance committee or external audit, is controlled by (possibly external) managers and supervised by a general assembly that can make decisions based on the votes of only 10 percent of the members (after a third call). Even in cases where a management board and a surveillance committee are in place, the minimum mandatory frequency for their meetings does not ensure adequate control of management and decision-making. If not properly addressed by the statutes, these can lead to control and influence costs – i.e. failure to effectively control the managers and decisions that do not optimize the satisfaction of the different interests of the members. These risks are exacerbated by the information gap usually observed between the members and management. As indicated above, however, these issues can be addressed through well-formulated statutes, leaving cooperatives with some flexibility on the choice of their governance model.

Figure 3: Cooperative governance model as regulated by the law no. 112-12: management bodies shown in blue; non-mandatory control mechanisms shown in grey.



Note: This is a summary of key features made by the authors. For a full account of the governance structure of cooperatives in Morocco, refer to the law.

Source: Authors' compilation.

The more debatable provisions in the law are those regarding: (i) the non-payment of the chair and members of the management board (article 49);²⁰ (ii) the non-compulsory inclusion of surveillance committee members on the board; and (iii) the foreseen sanctions for not attending the general assembly in person. The non-payment of the chair and members of the management board may lead to the exclusion of members who cannot afford to spend time on these time-consuming tasks or to lack of dedication by the incumbents. Members of the surveillance committee should have non-voting seats on the board so as to increase transparency and improve control, particularly in the case of large cooperatives. With regard to non-attendance at the general assembly, sanctions are often not implemented in practice. Therefore, allowing for incentives to attend (e.g. in the form of a premium on the distribution of surplus) and for electronic means of attendance and convocation could be effective strategies to motivate participation. These are aspects where the law could still be improved.

Finally, there is no provision for the establishment of an education and training fund. These funds can be very useful to promote cooperative growth and sustainability and can be incentivized by a favourable tax rule/tax exemption. Such funds can also be set up as solidarity funds by unions and/or the federation, whereby the weaker cooperatives would pay less and the stronger ones could contribute proportionally more. An example of the latter can be found in the Italian cooperative law.

The cooperative law and the role of federations and unions

The functions of secondary cooperatives (unions) are not defined in the law – according to article 92, they should be stipulated in their statutes. In fact, the law no. 112-12 attributes functions to ODCO that in most countries are attributed to cooperative unions and federations – to provide cooperatives with training, information and legal assistance; to finance advocacy and extension work; and to assist in carrying out social activities for the benefit of cooperative members.

The lack of definition for union functions and the attribution of common functions of unions to ODCO may be one of the reasons for confusion about the difference between second-tier cooperatives, unions and economic interest groups (see next section for a comparative analysis of these legal forms).

Addressing this issue goes beyond making changes in the law, but given the general lack of qualified managers in the cooperative sector, provisions could be made to empower unions and federations/associations to assist their affiliates in development.²¹ Unions and federations would gain a clear role and contribute to the sustainability and adaptability of service provision over the long term.

²⁰ The management board can hire (remunerated) directors, however (article 62). The mandate of such directors (who can be members or external to the cooperative) is stipulated by the board.

²¹ Some functions, if considered a public good (e.g. training services), could be partially subsidized by the government.

Box 4: Cooperatives, Unions and Federations – What functions and what purposes?

The sixth ICA cooperative principle and paragraph 6 of the ILO Recommendation 193 call for “cooperating among cooperatives”. However, as recognized by Henry (2016), cooperative laws and regulations do not generally elaborate on the function and forms of collaboration among cooperatives. Moreover, forms of collaboration and regulations largely differ from country to country and distinct nomenclatures for cooperative organizations are used in each case. Although there is no established nomenclature to classify the forms of collaboration among cooperatives, three main roles (groups of functions, partially overlapping) can be identified:

Collective action organizations in which cooperatives join to gain scale or to develop complementary functions in their field of activity. These cooperatives normally aggregate, process and market production or buy inputs in bulk for their member cooperatives. Under the Moroccan law these could be secondary cooperatives, unions or economic interest groups (GIEs) of cooperatives, given that GIEs would leave more flexibility in the establishment of financial management and governance rules and allow for the hiring of paid directors (see next section).

Support services cooperatives. These cooperatives provide services that are complementary to the field of activity of their member cooperatives – i.e. they would assume the following functions foreseen in the ILO Recommendation 193, paragraph 17, with regard to cooperatives’ representative organizations: (a) establish an active relationship with (...) governmental and non-governmental agencies with a view to creating a favourable climate for the development of cooperatives; (c) provide commercial and financial services to affiliated cooperatives; d) invest in and further human resource development of their members, workers and managers. Support services cooperatives can manage education and training funds or other types of collective funds built from retained earnings from transactions and are therefore usually set up by cooperatives with illiquid ownership rights. Under the Moroccan law these functions could be taken up by unions of cooperatives.

Representation cooperatives. These are upper-level organizations that aim to represent cooperatives’ interests to authorities and other relevant stakeholders. They can represent the cooperatives in a given subsector (e.g. UNCAM in Morocco) in one region or even the entire cooperative movement in one country. In Europe, for example, agricultural cooperatives are united at national level through an organization that represents their interests to national governments and at European level through COGECA, the General Confederation of Agricultural Cooperatives in the European Union. COGECA represents some 40 000 farmer cooperatives with a global annual turnover in excess of three hundred billion euros. COGECA is recognized by European institutions as the representative body and spokesperson for the agricultural and fisheries cooperative sector in Europe. Apex (or “intersectoral”) organizations, such as COGECA, have the following functions foreseen in the ILO Recommendation 193, paragraph 17: (a) establish an active relationship with (...) governmental and non-governmental agencies with a view to creating a favourable climate for the development of cooperatives; d) invest in and further human resource development of their members, workers and managers; (e) further the development of and affiliation with national and international cooperative organizations; (f) represent the national cooperative movement at the international level; and (g) undertake any other activities for the promotion of cooperatives. In Morocco these functions can be assumed, for example, by unions and federations of cooperatives.

The division of functions described above aims to provide a clear picture of the main types of roles that cooperative organizations may play in an enabling environment for development; however, one organization can assume more than one role. For example, in Morocco COPAG fulfils functions in all three roles.

Source: Author's and Agriterra elaboration.

2.2.2 Legal forms for cooperative action - key features and comparative analysis

Moroccan agriculture does not differ fundamentally from agriculture in other countries where the most widespread legal forms of organization are investor-oriented enterprises and member-oriented enterprises, such as associations or cooperatives. In Morocco, the main existing legal collaborative organizational forms are: (i) cooperatives and their unions; (ii) associations;²² and (iii) economic interest groups – i.e. *Groupements d'Intérêt Economique* (GIEs).²³ Microcredit institutions, in the form of associations, mutual insurance entities, irrigation water users associations, as well as agricultural and fisheries professional organizations (*interprofessions agricoles et halieutiques*), each with a specific law, play a complementary role. In addition to these organizational forms, there are contractual arrangements. In the case of Morocco, a particular form of legal contract – aggregation contracts (*contrats d'agregation agricole*)²⁴ – stands out for its semi-structural features.

Normally, the basic distinctive feature of economic organizations is their objective or purpose. Their legal structure concerning governance and the nature and structure of capital are a function of that specific objective/purpose. However, in Morocco the objectives of these organizations are not always clearly distinguishable.²⁵ Associations, cooperatives, unions and GIEs are not clearly different from each other in terms of objectives expressed in their respective legal texts but show some differences in terms of: (i) nature and structure of capital; and (ii) governance. These differences are discussed below within the framework defined at the beginning of this chapter.²⁶ The agricultural aggregation contract is not included in the comparative analysis

²² Federations are also regulated by the law no. 1-58-376, from 15 November 1958, on the right to associate, and amended in 2002. Federations of cooperatives are limited to a specific number of functions listed in the law no. 112-12 on cooperatives.

²³ GIEs are regulated by the law no. 13-97 on economic interest groups.

²⁴ Regulated by law 04-2012 on *Agrégation agricole*.

²⁵ Associations *pursue the interests of the members and/or third parties and/or the public in general*, while cooperatives are to *satisfy the economic and social needs of the members*. Unions must have the *same or similar and complementary objectives/purposes to the primary cooperatives and serve the interests of the members of their affiliates*. GIEs must be *auxiliary to existing members' activities and serve the interests of their affiliates* – i.e. support and develop the economic activities of the members.

²⁶ Annex I provides a summary table on the main distinguishing features of legal forms of collective action in Morocco.

as: (i) it is a commercial contract rather than a legal form of organization; (ii) its key difference from other commercial contracts regulated under Moroccan law is that it is primarily a mechanism for implementing policies, rather than an instrument to pursue goals determined by the involved parties. However, as aggregation contracts are an important element in agricultural policy aimed at fostering collective action, a paragraph in the Main Findings section of this report elaborates on this particular type of contract.

Significant differences in membership and capital structure

Cooperatives and unions share similar features with regard to the transferability, liquidity or appreciation of members' shares and membership. In the case of unions, voting rights may be attributed in proportion to the volume of business with the union, should its statutes so stipulate.

The GIEs share a few features with cooperatives, as: (i) they should not generate any benefits other than those related to the members' common activities; (ii) profits are to be distributed to the members or to constitute a reserve (according to the law, the GIE should not "produce benefits for itself"); and (iii) the members' shares are "non-negotiable." However, the nature and structure of capital and governance of GIEs are usually freely stipulated by contract between the members; members are allowed, for example, to transfer their participation or a share of it to another member under the conditions stipulated in the contract.²⁷ Profits can also be distributed as stipulated in the contract, including in proportion to the investment made by each member (i.e. to each member's equity) and plural voting rights are allowed (although all members must participate in decision-making). An advantage of cooperatives (for the members) is that members' liability is limited, whereas GIEs confer unlimited liability to members for the debts of the organization²⁸ – in proportion to their shares, unless agreed upon otherwise in the contract.

Associations cannot distribute net earnings (they are non-profit entities) and in Morocco they traditionally provide the same types of services to all the members. Hence, the problem of investment constraints does not apply,²⁹ as these are not intended to be commercial entities. All legal forms are exposed to regular taxation, with the exception of cooperatives that have a turnover under MAD 10 million for two consecutive years and a share of transactions with non-

²⁷ When a member transfers rights, they are entitled to a share of the GIE assets that correspond to their participation share in the GIE.

²⁸ In practice, if the members of the GIE are cooperatives, all the members of the cooperatives are protected by their limited liability.

²⁹ Some associations have attempted to engage in businesses that would benefit some of their members. For example, ANOC tried to develop milk processing businesses and meal labelling activities, but realized that an association is not legally equipped for these types of ventures and refocused its activities on the provision of technical assistance to breeders/herders.

members below the authorized threshold. These cooperatives are exempted from income taxation.

Moroccan cooperatives, unions and GIEs can be categorized according to a scale of flexibility regarding cooperative principles. Cooperatives are the most faithful to these principles and GIEs are not required to observe them; thus GIEs are the most flexible in terms of capital structure and voting rights. In fact, GIEs do not necessarily constitute member-centred enterprises, as cooperatives, unions and associations do. Should the members so agree, they can be constituted to function very much as investor-oriented enterprises, except that the titles are non-negotiable (but are appreciable and transferable). For well-informed prospective members who are willing to forego, to a certain extent, the guaranteed observance of cooperative principles, the GIEs constitute the most flexible legal form of collective action.³⁰

Flexibility in governance

Cooperatives and unions have similar governance structures, as described in the previous section on the law on cooperatives. The key difference between these institutions is that cooperatives do not allow for plural voting rights, whereas unions do. For GIEs, the governance structure is decided by the members and regulated by contract law. Again, the GIEs present greater flexibility in terms of governance. However, the law no. 112-12 is not very prescriptive in terms of the management structure and internal control system of cooperatives; the requirement of democratic voting is what most differentiates them from GIEs in practical terms.

As GIEs have a more flexible nature and structure of capital and at present can only be composed of legal persons, they are a natural legal form for a holding of cooperatives wishing to engage in a partnership that overcomes some of the constraints to investment and decision-making that characterize cooperatives (and unions of cooperatives). This does not, however, preclude unions from having a role in the overall governance of the cooperative sector, as they can assume support functions that are better performed by a democratic, service- or member-centred organization – training, audits (if allowed), information collection, advocacy, etc. The availability of different legal forms through which collaborative enterprises may be established, with different levels of rigidity, is a positive aspect of the Moroccan legal framework. As exemplified in Box 5, cooperatives are a form of organization deemed useful by their members, but if their rules are too rigid, their stakeholders are likely to circumvent them.

³⁰ However, the GIE can only be auxiliary to existing members' activities.

Box 5: How rigid should a cooperatives law be?

In some countries, and particularly in the agriculture sector, cooperatives have been associated with a push to collective action by governments and development agencies. This push may have emerged for various purposes, such as development policy implementation (organization of extension services, provision of loans and grants, etc.) or political influence. These formal cooperatives may be unresponsive to members' interests, introduce bureaucratic or surveillance burdens that members are not willing to carry, or impose business and organizational forms that are not well suited to the members' context and capacities.

However, historically, cooperatives have emerged in rural areas without the intervention of external actors or formalized regulation. Farmers often intuitively develop simple informal forms of cooperative collective action to improve the performance of their economic activities and generate services to their communities, even when formal rules do not serve them well. One such example is the "peasants' collective companies" in Chile. These companies emerged in the early 1990s after 18 years of dictatorship during which cooperative law and regulations were complex, benefits of membership were not clear and cooperatives gained a reputation of being primarily political endeavours. Peasants' collective companies were begun by Chilean farmers who, under the advice of the extension services of the new democratic government, formalized their enterprises, registering them as private societies but conferring on them the characteristics of cooperatives. These companies were managed under a board of directors with decisions made based on the democratic principle of one-member-one-vote and with the capital structure of traditional cooperatives.

Flexible laws, which guarantee respect for the main principles that distinguish cooperatives from investor-centred enterprises and also allow leeway to stipulate governance and management rules, are more conducive to the creation of cooperatives that are better tailored to their members' needs and characteristics. In contrast, stifling laws are often circumvented through the establishment of informal rules and/or enterprises.

Source: text elaborated by Agriterra based on the organization's experience.

2.2.3 Main findings

In general, the Moroccan cooperative law ensures close compliance with ICA cooperative principles. As such, capital contributions to cooperatives do not affect voting power (but capital can be remunerated as stipulated in the statutes of each cooperative). This provides distinctive features to cooperatives that enable them to reach objectives such as those exemplified in Box 1 and Box 6, but also require compromise in terms of their capacity to attract investors and credit and thus to grow quickly or to generate returns to investment for their members. The initial constitution of a cooperative's own capital, therefore, is usually made from surplus retention (or grants).

The Moroccan legal framework provides leeway for cooperatives to adopt different strategies to better enable investments and sound decision-making. Hence, existing bottlenecks to the development of cooperatives are mostly

not due to insufficiencies in the law, but rather to insufficiencies in its use and implementation.³¹ The question is whether the available strategies to enhance financial performance that seem to circumvent intended obstacles posed by cooperative principles do or do not reduce the protection the law should offer to cooperative members.³²

Despite allowing choice among different membership, capital and governance structures, the law leaves unclear the distinct roles of cooperatives, unions and GIEs. For instance, in Morocco, unions (and GIEs) are often promoted as entities dedicated to processing activities, while primary cooperatives are seen by some stakeholders as entities dedicated to organizing members' primary production. In addition, by law, GIEs are attributed the functions of a primary cooperative (i.e. auxiliary to the members' activity) but allow the membership structure of a second-tier organization (i.e. can be composed of legal persons). Public awareness initiatives should inform on the suitability of each legal form for each intended role.

The promotion of models by government and international cooperation partners exacerbates the lack of clarity on the roles of cooperatives, unions and GIEs. This leads to a practice whereby primary cooperatives choose to either establish GIEs or join in unions depending on the incentives they receive from external partners to do so (see subsequent section on support policies and programmes).

The overall legal framework could more explicitly address the fact that mainstream managerial practices are often inadequate for managing cooperatives. Educational and training programmes tailored to the needs of cooperatives and specific diagnostics/assessments of managerial practices are not regulated, nor are the functions of providing such services in any type of collective action organization (e.g. unions and federations). This may lead to an environment in which managers adopt practices and tools inconsistent with the principles and characteristics of cooperatives.

In addition to legal forms of organization, Morocco has regulations on specific contractual arrangements – i.e. aggregation contracts. These differ from "normal" contractual arrangements, which are characterized by specific single objectives and are time-limited. Aggregation contracts provide higher public subsidy rates to participants in the contract under a format that may not contain all the provisions necessary for the agreement between the parties, and that also confers rigidity in some contractual aspects (for which at least one of the parties may require more flexibility). These should therefore be seen

³¹ Examples are deficiencies in management and in the capital structure designs, as well as inadequate governance.

³² For example, cooperatives ensure equal rights to those with lower investment capacity and retained surplus in common members' funds.

as policy instruments rather than as a spontaneous form of contract between parties.

Contracts in general may not ensure the autonomy of the producers (who may be at risk in a contractual arrangement between unequal partners). In the case of aggregation contracts, in many cases it would be useful to envisage having cooperatives as *agrégés* (suppliers) instead of individual producers. This could also benefit the other contracting party (*agrégateur*), who would not have to deal with multiple partners, but only with one (the cooperative).

Box 6: Inclusive and democratic decision-making: slow but key for environmental (and therefore economic) sustainability

Including the inhabitants of the local community in an enterprise with democratic decision-making may enable the adoption of practices that are protective of natural resources and benefit the whole group (such as containing free riders in the use of natural resources). For example, the establishment of forest farmer cooperative organizations in China provides a mechanism for achieving economic prosperity in the local areas where these cooperatives are rooted, without compromising the forest resources. The Lisiling Hazelnut Professional Cooperative, in Xinghua Village, with the vast majority of its plantations in a mountainous area, managed to create an integrated ecological model of “planting trees on the upper areas of the mountains, hazelnut on the slopes, field crops on the lower areas, ginseng beneath the forests, and breeding fish in the water”. As a result, the rural ecological development of the village went hand in hand with increase of the villagers’ income and the usual higher transaction costs of a cooperative were largely offset by the benefits it created.

Source: Agriterra.

2.3 Support policies, programmes and institutions

In addition to an enabling legal framework, a key element in a supportive environment for the development of cooperatives is an adequate country policy and institutional setting. The UN guidelines aimed at creating a supportive environment for the development of cooperatives and the ILO recommendation concerning the development of cooperatives, call for coordinated efforts on key issues such as law enforcement, implementation of financial and social audits, applied research on the utility and efficiency of cooperatives, and production of information and statistics. These documents also emphasize the importance of developing cooperative members’ capacities, including entrepreneurial and management capacities, as well as understanding cooperatives’ characteristics and facilitating their access to credit and markets. This section summarizes current national relevant strategic frameworks, policy instruments and investment programmes, as well as the corresponding institutional arrangements, in order to discuss their approach and effectiveness in providing an enabling environment for cooperatives to play an important role in the development of Morocco’s agrifood sector.

2.3.1 Strategic frameworks and policy instruments

The most relevant government interventions fall under two large umbrella strategies: (i) the Social Economy National Strategy 2010-2020 (SNESS), which proposes important institutional, legal and policy reforms to support the development of collective action organizations; and (ii) the PMV, launched in 2008, which constitutes the overall country strategy for the agricultural sector.

The SNESS aims to increase the role of collective action organizations that follow principles of “solidarity and social utility” in the country’s economy, services provision and job creation. It puts particular emphasis on improving the quality and marketability of the products from social economy organizations, on enhancing technical, organizational and managerial capacities, and on strengthening mandates and capacities of umbrella organizations (e.g. unions, federations and ODCO). It is also aligned with and responds to sector policies that envision the development of small producers, such as PMV Pillar II (see below).³³

The PMV was launched in 2008 and set targets for 2020 based on seven principles: i) making agriculture the main engine of growth in the country; ii) structuring value chains so as to aggregate production from small producers; iii) developing the sector as a whole without exclusion [of farmers or farming systems]; iv) promoting private investment; v) fostering partnerships between different types of actors; vi) improving sector sustainability (including the conversion of one million hectares of cereal land to fruit crops); and vii) providing the sector with a stronger enabling environment. Realizing the objectives underpinned by the third principle resulted in the division of the PMV into two main pillars:

- Pillar I - interventions on the most productive arable land (20% of total used agricultural area), with the main objective of developing modern, high-productivity/high-value-added agriculture.
- Pillar II – interventions dedicated to less productive or more remote areas (80% of total used agricultural area), with the main objective of developing local value chains as a means to improve farmers’ incomes.

More recently, in 2012, the law on professional organizations paved the ground for the formulation and recent (2015) signature, between the government and subsector professional organizations, of *contrats-programme* within the framework of the PMV. The *contrats-programme* set ambitious targets in terms of area expansion and productivity increase for 19 agricultural value chains³⁴ (see Annex II for details). Aiming for these targets means that small and currently

³³ Work is underway to elaborate a law on the social and solidarity economy that would determine the eligibility criteria for government support for the implementation of the strategy.

³⁴ Olives, field fruits and vegetables, citrus, seeds, dates, fruit tree crops, argan, saffron, perfume, oil seed crops, rice, sugar, cereals, organic production, dairy, red meat, honey, poultry, camel products.

low-productivity farms are being called upon to contribute more effectively to the overall country agricultural output. Although this signals a clear opportunity for cooperatives to play a role in solving market inefficiencies, particularly in subsectors characterized by small producers, the question remains whether adequate policy and investment support instruments, as well as institutional arrangements, are in place to enable effective contributions from cooperatives to sector growth.

Non-public-investment-related specific policies

In addition to specific policy instruments targeting agricultural cooperatives, there are sector and subsector trade and safety regulations that affect the manner in which each subsector is developed and thus the roles and opportunities for cooperatives operating in each of them. Although it is out of the scope of this study to perform complete subsector analyses, a short description of some policy elements that may affect each subsector's development is presented below.³⁵

With regard to international and domestic trade, Morocco is moving overall to a gradual market liberalization of all subsectors within agriculture. The milk and dairy trade is liberalized and so is foreign investment in the sector. Foreign investors have accumulated a large share of the dairy market and have also introduced greater competition that obliges the sector, including the cooperatives that operate in it, to develop the range and quality of supplied products. Field fruit and vegetables and citrus crops are export commodities that benefit from free trade agreements with large markets. They are subject to export market regulations in terms of food safety and quality, which are often very demanding. Hence the sector has developed to become quite sophisticated in terms of technology and marketing and highly competitive in the international market.

Other important subsectors of agricultural production are red meat and olive oil. These subsectors cater mostly for the domestic market, which in the case of olive oil is still protected by an import tax. The domestic markets for meat and olive oil are not yet aligned with the most demanding international norms in terms of food quality and safety standards. This in turn influences domestic consumers' capacity to differentiate and pay a premium for quality (e.g. animals bred in specific production systems or slaughtered in adequate sanitary conditions, or olive oil with certain organoleptic characteristics). Honey also suffers from the lack of a well-recognized quality control and assurance system for clear product differentiation.

³⁵ The information in this section was mostly obtained from interviews with representatives from professional organizations and other collective action organizations in different subsectors.

Fruit tree crops, mostly produced for the domestic market, with the exception of almonds, also do not generally meet international market standards in terms of food safety control (e.g. pesticide use and traceability) and there is not a nationwide fruit grading system by which producers and traders are required to abide. This lack of normalization – also associated with the diversity of varieties and production systems with irregular provision capacity – renders impossible the aggregation of production and therefore large collective action for processing and marketing purposes. The current state of public wholesale markets and cold chains is also not generally prepared to deal with product quality differentiation (e.g. they lack the necessary fruit treatment and storage facilities). This may change with progressive privatization of value chain agents and the efforts currently being made in wholesale market modernization (e.g. construction of a model wholesale market in Rabat).

Crops aimed mostly at niche or specialized markets (e.g. those classified as *produits du terroir*) or facing competition from imported products (e.g. dates) could also benefit from improvements in regulation and associated enforcement mechanisms that would ensure consumers of the origin, quality and authenticity of the products.

Other subsectors, although operating in liberalized and well-regulated markets in terms of safety and quality standards, also face specific challenges. Sugar processing and commercialization is concentrated in a conglomerate; cereals, as their domestic trade is gradually liberalized, are expected to decrease in importance when compared with more competitive crops; oilseeds currently occupy a small area out of the total cropped surface; and the market for vegetable oils is highly concentrated in a few firms.

2.3.2 Public investment programmes

The government programmes that directly or indirectly contribute to the creation and development of cooperatives can be divided into three large groups: (i) non-agriculture-sector-specific programmes supporting the development of social economy actors in Morocco; (ii) investments framed by PMV Pillar I to support the development of efficient and competitive agricultural enterprises, but with little emphasis on the development of cooperatives; and (iii) investments within the scope of PMV Pillar II, the great majority of which are made through cooperative forms of organization.

The first group's flagship programme is the *National Initiative for Human Development* (INDH). Launched in 2005 to combat social exclusion, the INDH supported the creation of many cooperative enterprises in the country. A more recent programme in this group is the Post-Foundation Support Programme for Newly Founded Cooperatives (*Programme D'appui Post-Création aux Coopératives Nouvellement Créées - Mourafaka*) under the aegis of ODCO. Mourafaka supports recently created cooperatives in developing managerial capacities such as entrepreneurship, innovation and business management. The

programme is still in its early stage, with the presentation in September 2016 of a first phase: the results of the performance diagnostics made to a group of 438 pre-selected cooperatives. ODCO is currently turning to a private sector consultancy firm for the implementation of the programme, but the objective is for it to develop internal capacity to provide this type of support directly to the cooperatives.

Public investments towards achievement of the objectives of PMV Pillar I are made through the mechanism set up by the *Fonds de Développement Agricole* (FDA), whereas public investments within the scope of PMV Pillar II are made by a number of projects and institutions, including the FDA, and prioritized at regional level through regional development plans (*Plans de Développement Régionaux*). Some illustrative examples are programmes funded by the International Fund for Agricultural Development (IFAD), which are aligned with the regional development plans, or the interventions coordinated by the *Agence Nationale pour Le Développement des Zones Oasiennes et d'Arganier* (ANDZOA) and the *Haut Commissariat aux Eaux et Forêts et à la Lutte Contre la Désertification* (HCEFLCD). Table 3 provides an overview of the capacities of the cooperatives supported by key interventions. Annex II provides more detailed information.

Table 3 also illustrates how recent government and donor investment has been directed towards the creation of new cooperatives in disadvantaged agricultural areas. The breadth and quantity of recent programmes and institutions to promote the development of cooperatives – directly or through subsector-specific support interventions – demonstrates the interest of the government in promoting cooperatives as agents of development of the agriculture sector. However, many of these supported cooperatives are in an early stage of development, with strong needs in terms of capacity development and value-chain inclusion, particularly with respect to product quality and access to markets and finance. Thus they are not yet in a position to contribute significantly to the growth of the agricultural sector. For example, during the implementation of the first phase of the INDH³⁶ value-chain organization, support projects were often at a large scale that implied a high level of technical capacity for organizations with typically still immature governance, management and technical capacities (Landel Mills Development consultants, 2011).

Likewise, a group of IFAD-financed rural development projects designed between 1996 and 2008 (the third generation of IFAD-financed projects in Morocco) did not attain the expected results in promoting collective action organizations' marketing, access to finance and capacity development. As a result, for example, in Taoutirt-Taforalt the marketing of supported products (olive oil, almonds and capers) still needed further support by the end of the

³⁶ The intervention of the second phase of INDH in rural areas was mostly dedicated to social services projects, rather than agriculture production.

project (IFAD, 2011); in the eastern region, sheep enterprises have shown little success. In Errachida, the project supported the installation of processing units for almonds (2), plums (1), olive oil (5), and honey (8) and four groups of herders (483 herders) received support from ANOC on animal husbandry, but at the time of the last available supervision report, the supported cooperatives faced challenges to their sustainability (IFAD, 2013). A new generation of projects designed from 2011 onwards (fourth generation of IFAD-financed projects) were aligned with the objectives of the PMV and with a stronger value-chain organization and development focus. These projects aim to build partnerships with national institutions, with the objective of developing the capacities of the cooperatives' governance and management structures. However, they may still face challenges in terms of market incentives for their development.

Table 3: Cooperatives' capacity development stage after each intervention

Governance	Cooperative membership	Services provided by the cooperatives	Network and market linkages	Funding	Subsector
INDH					
Newly formed cooperatives with mostly inexperienced members.	Typically large (211 members, on average).	Mostly focused on processing and marketing of primary production.	No focus on establishing networks and market linkages often only incipient.	Matching grants provided, but with little connection to financial markets.	Olive, argan, livestock, <i>produits du terroir</i> . . .
Mourafaka					
Weak at baseline, but expected to improve after two years of coaching (early stage of implementation).	Average of around 20 members; 33% of which are women's cooperatives.	Value addition and marketing (21% have a pricing policy, 4% sell to supermarkets, 11% sell to wholesalers).	25% belong to a GIE; 38% have agreements (or are establishing them) with ONSSA; 20% belong to a union.*	No focus on access to finance, but a strong focus on managerial capacity development.	Priority given to projects contributing to key subsectors: most supported projects integrate red meat or honey value chains.
Fonds de Développement Agricole					
Not specific to cooperatives (in some cases cooperatives benefit from higher level of subsidization than individuals or societies).	Not specific to cooperatives.	Milk aggregation, refrigeration and sale cooperatives have a higher level of subsidization for investment than individuals.	Milk collection cooperatives must have a contract with a milk processor.	Funds equipment and infrastructure only. Capacity development is from other sources.	Milk collection only (supports other subsectors but without special incentives for cooperatives).

Options and policies for cooperative collective action in Morocco

Governance	Cooperative membership	Services provided by the cooperatives	Network and market linkages	Funding	Subsector
IFAD rural development projects (3rd generation of IFAD-financed projects in Morocco)					
In many cases newly formed cooperatives with mostly inexperienced members.	Average not explicit, but commonly over one hundred members.	Rangeland management, production improvement, processing and marketing. Many face problems in service provision.	No particular common links to markets, development partners or technical assistance.	Matching grants provided, but with little connection to financial markets.	Olive oil, almonds and capers, plums, honey, red meat.
Agricultural Value Chain Development Programmes in the Mountain Zones (4th generation of IFAD-financed projects in Morocco)					
Smaller number of cooperatives being supported in each subsector with greater attention to the quality of the business plans, capacity development and product differentiation.	(Projects still initiating).	Rangeland management, agricultural production improvement, processing and marketing. Still too early to assess sustainability.	Agreements with ANOC (small ruminants) and FIMALAIT (milk collection centres). Creation and capacity development of GIEs. GI labels.	Establishment of linkages with microcredit associations/entities is being tried.	Apples, almonds, carrots, cherries, dairy, honey, olives, plums, small ruminants, walnuts.
Bilateral cooperation					
In many cases newly formed cooperatives with mostly inexperienced members. In the case of argan, a union of cooperatives has been supported in improving governance since 2003.	Heterogeneous	In most cases production improvement, processing and marketing.	In the case of argan, supported development of cooperative unions and GIEs and of the National Association of Argan Cooperatives (ANCA).	Mostly matching grants with some training on technical and managerial capacities.	Cooperatives operating in different subsectors. Some focus on <i>produits du terroir</i> . Argan-dedicated cooperatives benefited from bilateral cooperation assistance since the 1990s.
ANDZOA					
Activities related to the financing of the <i>contrats-programme</i> should begin to be financed (e.g. by GEF) or are in an initial implementation state.					
HCEFLCD					
Initiatives supporting herders' groups in rangeland management as well as forest worker cooperatives. In both cases cooperatives are small enterprises dedicated to the management of a common extraction area (of wood, carob, aromatic plants, pastures, etc.) with the main aim of generating remunerative activities for the members. An exception are three GIEs in the region of Rabat representing 16 cooperatives in total and with sales values of around MAD 8 million and access to credit from GCAM.					

Source: Author's compilation from project assessment documents (see Annex II) and interviews with informants from ANDZOA, HCEFLCD and ODCO/PCM. *Presentation by ODCO: *Restitution des résultats de la 1^{ère} étape du Programme Mourafaka (ODCO) 30 September 2016.*

2.3.3 Institutional coordination in policy implementation

The policies and programmes summarized above are designed and implemented by a set of national institutions whose role is to ensure that a coherent and effective supportive environment for the development of cooperatives is in place. This section looks at the functions of each relevant institution and how these are incorporated into the institutional setting in the country. The analysis is divided into two broad categories of functions: i) establishment of coherent legal and policy frameworks; and ii) provision of technical support and financial mechanisms.

Establishment of coherent legal and policy frameworks

There are many institutions in Morocco with regulatory functions in agriculture, social economy, access to land and trade that influence the possible role and opportunities for cooperatives in the agriculture sector. From the summary of the regulatory/normative functions of each institution, as shown in Table 4, and the information on policies from the previous sections, it is possible to conclude that (i) there is scope to better build on the synergies between the MAPM and the Ministry of Handicraft, Social Economy and Solidarity (MAESS) and (ii) there is a need for continuous alignment of policies on trade, food safety and access to land with the development objectives of the MAPM. These two aspects are discussed below:

Scope to build on synergies between the MAPM and the MAESS

- Normative work in applied research and education on the utility and efficiency of cooperatives in Morocco is within the mandates of two institutions, the ODCO and the Education, Vocational Training and Research Department (DEFR) of the MAPM.³⁷
- Policy-setting by MAPM and ODCO can still benefit from increased cross-learning. For example, the National Extension Office (ONCA)³⁸ has the objective of supporting the creation of 10 000 cooperatives between 2015 and 2020 within the scope of PMV Pillar II and ODCO's Mourafaka programme is providing lessons from its work on support for the development of newly created cooperatives.
- ODCO, MAPM and the HCEFLCD also have an opportunity to join efforts in building up capacity in terms of cooperative statistics and information systems (including geographic information systems). Within the MAPM itself, the Division of Strategy and Statistics (DSS),³⁹ the Division for the Development of Value Chains (DDFP)⁴⁰ and the ONCA could have

³⁷ *Direction de l'Enseignement, de la Formation et de la Recherche.*

³⁸ *Office National du Conseil Agricole*

³⁹ *Direction de la stratégie et des statistiques*

⁴⁰ *Direction du Développement des Filières de Production*

complementary roles in the compilation and publication of statistics on agricultural cooperatives. One useful exercise would be to undertake periodic surveys of cooperatives, even if with a limited sample.

As seen before, the law developed by the MAESS on cooperatives is a good enabler for development of different models of collective action in agriculture. The new law on the implementation of the SNESS should also consider the specificities of agriculture, especially considering that most financing and technical support to cooperatives is provided through the MAPM.

Continuous alignment of policies on trade, food safety and access to land with the development objectives of the MAPM

- In many cases the development of cooperatives is dependent on subsector-specific policies and on their forms of enforcement. Institutions with food safety and trade mandates need to continue to work together with those directly supporting the development of cooperatives to (i) ensure coherence between the market opportunities and the investment incentives given to cooperatives; and (ii) provide guidelines for cooperatives and those providing them with technical assistance on markets, food safety and trade legislation.
- Progress towards the achievement of the PMV general objectives is coordinated at regional level by regional development plans. This positive initiative can also benefit from increased coordination at regional level between the above-mentioned institutions, during both the planning and monitoring phases.
- Access to land is affected by the policies designed and implemented by the Ministry of Interior and the HCEFLCD. It is necessary to ensure that the use, access and ownership defined for the land enables the achievement of the regional agricultural development targets – e.g. if a large concession of collective land is attributed to a single player, it can create competition issues (for markets, water, etc.) for the farmers already installed whose growth the MAPM has been trying to support.

Table 4: Regulatory and normative functions of key institutions influencing cooperatives' operating environment

Policy areas and institution	Main functions
Agriculture	
Ministry of Agriculture and Maritime Fisheries (MAPM)	Proposes legislation for the sector and designs and implements sector development programmes through its departments and agencies, namely the PMV.
National Food Safety Office (ONSSA) – MAPM	Enforces the government's policies and regulations on food safety across the food value chains (from production to consumption).
Institution for Exports Control and Coordination (EACCE) - MAPM	Responsible for quality controls on exported products, as well as exports promotion and coordination.
Social Economy	
Ministry of Handicraft, Social Economy and Solidarity (MAESS)	Proposes new legislation on cooperatives and coordinates the design of key policies such as the SNESS. Chairs the ODCO.
Office for Cooperation Development (ODCO)	Examines and proposes legislative or regulatory reforms and any particular measures related to the creation and development of cooperatives.
Land access and management	
Ministry of Interior	Responsible for collective land management (i.e. pastoral and agricultural land, as well as limited forestry located in the Oriental and Mamora regions).
High Commission for Water, Forests and the Fight against Desertification (HCEFLCD)	Coordinates forest land exploitation; coordinates the preparation, monitoring and evaluation of policies related to fighting desertification. Helps formulate and implement the government's policies related to rural development.
MAPM	Limited scope for intervention under specific intersecting programmes of the PMV.
Trade	
Ministry of Industry, Trade, Investment and the Digital Economy	Responsible for the design and implementation of government policy in the fields of industry, trade and new technologies.

Source: Authors' compilation.

In addition to the institutions described in Table 4, the recently established interprofessional organizations can also play a fundamental role in negotiating sector policies relevant to agriculture and rural development. Nevertheless, with some exceptions (e.g. FIMALAIT, which effectively acts in the interests

of both milk producers and the dairy industry), the organizations dedicated to other subsectors still require further capacity (human and financial) to effectively represent their stakeholders in policy development activities.

Technical assistance and financial support

Technical assistance and financial support are often provided together, through government and financing institution programmes. Key contributions from different institutions are summarized below:

- **The institution with the national mandate to provide technical assistance in agriculture is ONCA**, which has been in operation since 2013. The ONCA has 300 decentralized support centres and around 1 000 extension workers. It is a new organization with a mostly agricultural vocation, which will also have to address demand for the development of governance and management capacities. The target of assisting in the creation of 10 000 cooperatives that can contribute to the agriculture sector in six years may not be achievable with the existing resources. Additionally, it is not clear whether there is an incentive structure for its human resources to effectively contribute to achieve these targets.
- **Within the MAPM itself there are other institutions with technical assistance responsibility**, such as the Regional Offices for Agricultural Development (ORMVAs) and the Regional Agriculture Offices (DRA). The National Food Safety Office (ONSSA)⁴¹ has a specific mandate on food safety-related technical assistance. In addition, ANDZOA has the mandate of developing value chains in oasis and argan areas, through studies and research, investment in producer groups and technical assistance. The Agricultural Development Agency (ADA)⁴² finances, *inter alia*, 48 GIEs (20 already implemented) in olive oil, 23 GIEs (7 already functioning) in date processing and 332 cereal storage units (ADA, 2016). These are initially financed by the Millennium Challenge Account (MCA) and the Islamic Development Bank and implemented through the United Nations Office for Project Services (UNOPS). The monitoring and follow-up of GIEs is the responsibility of the DDFP (a division of MAPM).
- **A number of bilateral cooperation agencies have been providing strong financial support to cooperatives** in subsectors such as argan, saffron and olive oil. Although projects are implemented in collaboration with the Education, Vocational Training and Research Department of

⁴¹ The original names of the institutions, in the order listed in the text are: *Offices Régionaux de Mise en Valeur Agricole, Directions Régionales de l'Agriculture and Office National de Sécurité Sanitaire des produits Alimentaires, Agence Nationale pour le Développement des Zones Oasiennes et de l'Arganier, Agence pour le Développement Agricole.*

⁴² ANDZOA envisions the development of 45 development programmes worth a total of MAD 93 billion throughout 8 years (ANDZOA, 2016). Investments also comprise public infrastructure and planning investments.

MAPM, these agencies usually set up their own technical assistance. One example is “*Le Projet Arganier*,” funded jointly by the Moroccan Social Development Agency (ADS) and the European Union (2003-2010). This €12 million initiative supporting the expansion of argan oil cooperatives for women was responsible for an increase in the number of cooperatives from a handful involving a few hundred women in 1999 to well over 100 cooperatives involving over 4 000 women. Currently, these cooperatives are not benefiting from government support, although the argan subsector will benefit from ANDZOA’s planned interventions.

- **A new law on private technical assistance and extension services has been approved** but, according to articles 2 and 4 of the law no. 62-12 on organization of the profession of private agricultural technical assistants, those providing services must be agronomists and the profession has no specific mandate on provision of assistance in governance and management. Article 2 includes “the proposition of adequate [enterprise] development models” and “improve farm management tools” as part of the main services to be supplied (MAPM, 2015b), but the main focus is on primary production. It is possible that private technical assistance is initially geared more towards improving production than towards enhancing enterprise management capacities, namely in processing and in marketing cooperatives.
- **Some private initiatives for technical assistance of small producers already exist**, mostly in the form of associations/NGOs. Some examples are ANOC, a well-known association with 14 000 members providing services in improvement of breeds, or the *Centre d’Incubation Agrotech*. Examples of non-agriculture-specific endeavors which provide services in management, governance and marketing are the *Réseau Entreprendre Maroc*, *Fondation du Jeune Entrepreneur*, or the *Centre Mohammed VI des Très Petites Entreprises Solidaires*.
- **ODCO and some banks have developed programmes to help small entrepreneurs develop skills in management, governance and marketing as well as innovative ideas**. With regard to banks, some examples are GCAM, the *Banque Populaire* and the Attijariwafa Bank.

In sum, there are a wide number of institutions in the country, and within the MAPM itself, financing and providing technical assistance to cooperatives. Some, such as ONCA, have large mandates and ambitious targets and require complementary services (e.g. effective private technical assistance) to deliver on the country objectives and targets. Other institutions have overlapping mandates and functions in the financing and provision of technical assistance to cooperatives that can be further aligned to provide more holistic, articulate and continuous support to these organizations.

Additionally, a number of support functions considered necessary for the development of cooperatives can be further developed. Some examples

are: human resource development programmes; consultancy services on management, technology and innovation, legal advice, taxation and marketing; or support to research and public information services.⁴³ There is also an opportunity to improve advisory services in some technical areas, particularly for second-tier (processing) organizations.

2.3.4 Main findings

Since the inception of the INDH and the PMV, the Moroccan government, in addition to setting a new and more enabling cooperatives legal framework, has given strong support to the development of cooperatives.

Cooperatives have been used as a means to reach groups of farmers when delivering development assistance for value chain/subsector development. This has led to an increase in the number of cooperatives in subsectors considered strategic to the country.

Cooperatives may be unable to address the deficiencies in managerial capacities of their members and even less able to tackle specific value chain-related issues which stifle value addition and provide little incentive to investment by any value chain actor (e.g. lack of incentives for investment in improved food safety and quality assurance systems). The establishment of the Mourafaka project addresses the deficiencies in governance and management capacities of cooperatives, but this type of initiative cannot solve value chain-specific issues, which are usually linked to existing subsector policies.

Some required improvements in the supportive environment to cooperatives identified in the SNESS still need to be rolled out, namely: training and education programmes for cooperative organizations, particularly for second- and third-tier organizations, such as unions and federations, so as to enable, *inter alia*, the constitution of statutes tailor-made for each cooperative; the formulation of sound business plans; and the establishment of effective technical assistance systems for their implementation.

The coordination of efforts to build a more supportive environment for the development of cooperatives needs to be improved. At the national level, ODCO has the mandate to coordinate such efforts, but the actual coordination mechanisms and functions of each stakeholder are yet to be defined. At subsector level, professional organizations (interprofessions) are the vehicle for discussions among key stakeholders on mechanisms to overcome subsector-specific bottlenecks.

In an eventual realignment of their interventions, public institutions should consider the role of other actors, such as banks and NGOs, in enabling the development of cooperatives. A stock-taking exercise on the current functions

⁴³ These are services that should be available in an adequate supportive environment according to ILO Recommendation No. 193.

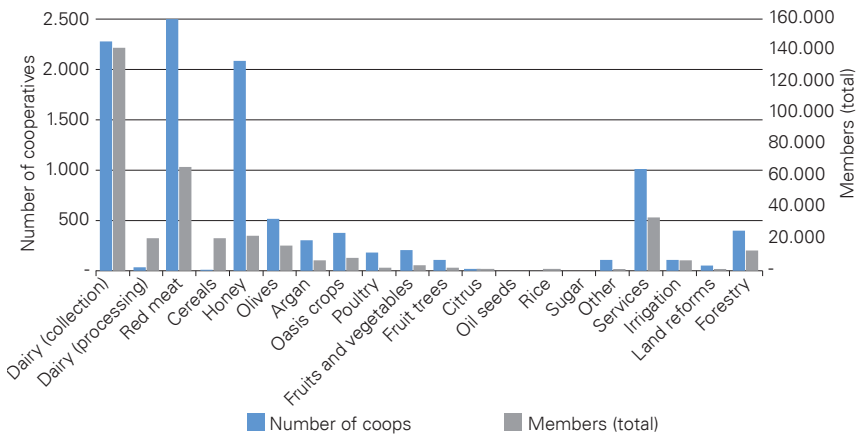
and activities of each institution should be conducted before realignment and consider the comparative advantages of each one of them and establish which ones – and through what mechanisms – can be further empowered to play their role in a system that provides technical assistance to a number of promising cooperatives in a holistic, effective and efficient manner.

This chapter has identified a number of key issues that will influence the future development and opportunities of investment in and through cooperatives. Chapter 3 delves more deeply into the current state of cooperatives in each subsector within agriculture as a consequence of past and existing policies and on the different opportunities to increase the potential of cooperatives to play an important role in the development of each agricultural subsector.

Chapter 3 – Mapping of Agricultural Cooperatives in Morocco

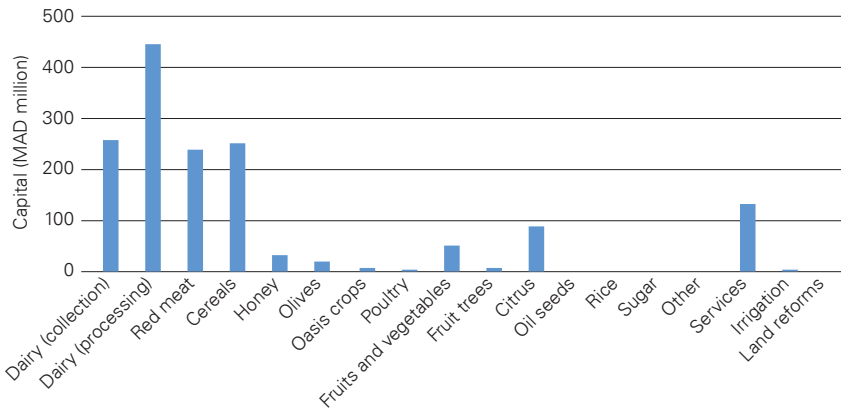
The historical background of agriculture in Morocco suggests that agricultural subsectors and regions must differ in the characteristics of the enterprises that integrate them. Hence, this chapter initially gives an account of the number of cooperatives and their size in terms of number of members (Figure 4) and capital (Figure 5) per subsector and per region in the country (Figure 6 and Figure 7)⁴⁴ so as to identify the main differences across subsectors and regions. Then it describes the main characteristics of Moroccan agricultural cooperatives in terms of governance and management, service provision, access to finance, and participation in networks. A summary of main findings at the end provides a qualitative assessment of the importance of cooperatives *vis-à-vis* other stakeholders and of the potential for cooperatives' development in selected subsectors.

Figure 4: Number of cooperatives, cooperative members and total cooperatives per subsector of activity



Source: Authors' compilation from ODCO database (2015).

⁴⁴ This section uses available data from ODCO for December 2015. The number of members in each cooperative may have changed since last data update and the cooperatives' social capital has not been compounded/discounted to the same date. Data used is indicative of results from previous policies in terms of creation of cooperatives, but conveys little information on the cooperatives' current level of operation or the long-term sustainability of their operations.

Figure 5: Total social capital of cooperatives per subsector of activity

Source: Authors' compilation from ODCO (2015).

3.1 Main differences in cooperatives' roles and development across subsectors

Figure 4 confirms that the size (both in members and capital) and number of cooperatives in Morocco varies largely across subsectors.⁴⁵ The **dairy** subsector is the largest in terms of membership, comprising 15 percent of the total number of agricultural cooperatives, with over 2 000 cooperatives for the collection and commercialization of milk and around 20 cooperatives for milk processing. The existence of cooperatives has long been associated with a model created through state support, in particular through the *Plan Laitier*.⁴⁶ The sector has been structured so that milk industries are directly supplied by medium and large farmers and by milk collection centres. Milk collection centres, in turn, obtain milk from small farmers. Unions of cooperatives in all regions (irrigation schemes) where milk production is concentrated – or COPAG in the case of Souss – promote genetic improvement through artificial insemination or the organization of heifer imports (Faysse *et al.*, 2010). Thus, cooperatives play a strong role in dairy value chains. They gather approximately 30 percent of

⁴⁵ The value chains/subsectors were defined using the PMV priority value chains as reference and introducing some adaptations so as to facilitate the analysis. ODCO's classification of cooperatives has been adapted to fit this new classification.

⁴⁶ The *Plan Laitier* supported: the development of forage production; the improvement of the national cattle genetic pool through importation of dairy heifers; the development of artificial insemination, cross-breeding and the creation of "nursery" farms; the creation of farmers' cooperatives and associations; sector subsidization; organization and development of milk collection centres and dairy plants; and the supply of veterinary services (Araba *et al.*, 2001).

the market share for fresh milk – in 2016, 20 percent of the fresh milk market was obtained by one cooperative, COPAG (Chaudier, 2016). The second largest, Colainord, had a market share of around 5 percent in 2012 (Attouch and Nia, 2014). In addition to consistent and long-term government support to the development of cooperatives in the milk sector, the facts that milk: (i) is highly perishable (requiring organized cold chains and effective marketing); (ii) demands quality control (for fat content, hygienic milk quality and the presence of antibiotics); and (iii) is a homogeneous product (easily mixed in large quantities), motivated and facilitated the organization of farmers into cooperatives.

Cooperatives have also played a role in the development of the **cereals** subsector as the implementation mechanism of a subsector policy to increase national production. Prior to the liberalization reform of 1995 and its full implementation in 2003, the eleven Moroccan Agricultural Cooperatives (*Cooperatives Agricoles Marocaines* - CAMs) had exclusive cereals trade in the country and acted as intermediaries between producers and the government. The eleven CAMs still own large assets – for example, the *CAM du Sud* estimates the value of its assets as MAD 700 million – and together include around 20 000 members. Nevertheless, following deregulation of the cereals subsector, the CAMs have faced competition with other private cereals traders and processors and account today for only 2 percent of the trade of national production. Some of the CAMs have tried to diversify their activities, but according to representatives of UNCAM,⁴⁷ only five CAMs still have some level of economic activity. The UNCAM is currently devising a plan for restructuring the CAMs, enabled by the recent changes in the cooperatives law.

Until the year 2000, 120 cooperatives, with fewer than 3 000 members, were registered as dedicated to **fruits and vegetables**. These cooperatives were mostly concentrated in the regions of Casablanca-Settat, Rabat-Salé-Kénitra, Souss-Massa, and Oriental, usually within existing irrigated schemes. After the year 2000, around 100 more cooperatives were created and these have expanded to regions that are not traditional areas of fruits and vegetables production, such as Fès-Merkes, Drâa-Tafilalet and Guelmin-Oued Noun. This suggests that at least some of these cooperatives are the result of support from the development programmes summarized in Chapter 2 and may have very limited levels of commercial activity. Discussions held with sector representatives seem to confirm this idea. For instance, representatives from the cooperatives M'Brouka and COMAPRIM, interviewed by the authors (September 2016), estimated there were 20 to 30 active cooperatives – i.e. cooperatives which commercialize the majority of the fruits and vegetables production of their members⁴⁸ – and 30 *agregateurs* of fruits and vegetables

⁴⁷ Personal communication (September 2016).

⁴⁸ Some cooperatives may have been created to simplify the access to government subsidies, but do not operate as commercial enterprises.

in the country. The *Association Marocaine des Producteurs et Producteurs Exportateurs de Fruits et Légumes* (APEFEL) counts 12 cooperatives that export among its associates.⁴⁹

Cooperatives of **cattle and small ruminants** breeders/herders (**red meat**) increased nearly five-fold in number in the last 10 years (over eight-fold in the past 15 years), moving from 392 cooperatives in the year 2000 to nearly 3 400 in 2015, mostly as a result of development programmes. These cooperatives are diverse in nature as they can be composed of producers of dual-purpose cattle (milk and meat), beef cattle or small ruminants and they are located from irrigation areas to mountain areas. However, the majority of them have in common the fact that they are recently established enterprises with organizational and managerial challenges. In addition, the subsector also presents some challenges to the development of collective enterprises, as currently informal markets can be more rewarding in terms of price than formal ones for those dealing with small quantities of animals. Among the reasons for this are: (i) slaughterhouses do not offer better prices than those obtained in the *souk* (local market) and may impose conditions that are difficult to attain by small herders; and (ii) there is no actual penalty for informal animal sales.⁵⁰ These characteristics of the value chain, in addition to high production costs (mostly associated with feed), complicate the development of competitive supply chains with a reduced number of intermediaries and of collective enterprises dedicated to the production, processing and/or commercialization of red meat with high value added.

The number of cooperatives dealing with **fruit tree crops, oasis crops**,⁵¹ **olives** and **honey** has only grown significantly after the inception of the PMV in 2008. ODCO data show that 95 percent of the cooperatives dedicated to fruit tree crops, 89 percent of those dedicated to oasis crops, 78 percent of those operating with olives and 73 percent of the honey cooperatives were created after 2008. Most of these cooperatives face sustainability problems associated with their governance and management capacities (see 3.2). According to the *Fédération Interprofessionnelle Marocaine des Apiculteurs* (FIMAP), **honey** production is virtually entirely absorbed by informal local markets and formal markets in general do not offer a price premium to producers, leaving little incentive for collective investment in product development and joint sales. Honey production, being an activity that generally does not represent the main occupation or source of income of the producing families, provides limited

⁴⁹ Information is available on <http://www.apefel.com/apefel-r12/presentation-c56/>

⁵⁰ The information and opinions on the red meat subsector were obtained through interviews with representatives of the *Association Nationale des Ovins et Caprins* (ANOC), the *Association Nationale des Producteurs de Viandes Rouges* (ANPVR); the *Association Nationale des Bouchers* (ANB), and the *Fédération Interprofessionnelle Des Viandes Rouges* (FIVIAR).

⁵¹ Fruit tree crops include cooperatives classified by ODCO under *arboriculture, figues, ammandes, grenadine* and *raisins*; oasis crops include *dattiers* (65%), *cactus/assabbar* (17%), *safran* and *roses*.

incentives to invest time in the development of cooperatives. The *Fédération Interprofessionnelle de la Filière de l'Arboriculture Fruitière* (FEDAM) also identifies a number of bottlenecks in the **fruit tree crops** subsector, ranging from a large heterogeneity of production (quality, grade and varieties) to a poor wholesale markets network in the country, which render the investment in refrigeration, grading packaging and commercialization facilities unattractive, providing little stimulus for the development for cooperatives of small producers.⁵²

On the other hand, cooperatives dedicated to palm **dates** may have a significant growth potential in the country. Morocco is a net importer and cooperatives are concentrated in two provinces, namely Errachidia (123 cooperatives) and Zagoura (57 cooperatives) and grouped into recently created GIEs. However, producers' cooperatives face competition from traditional importers and from imported date varieties to which consumers have become accustomed. The subsector development will require developing the capacities of GIEs and cooperatives' managers and members to render their enterprises competitive. With regard to **olives**, many of the newly formed cooperatives are associated with 20 GIEs formed and equipped with support from the MCA programme. These GIEs are equipped with technology that enables the production and conservation of extra-virgin olive oil, but imply important operation and maintenance costs that require large quantities of olives being processed and a price premium for virgin or extra-virgin olive oil. However, currently 90 percent of olive oil sales in the country are in bulk in non-sealed containers and consequently most national consumers are not able to differentiate, and pay a premium for, quality. Additionally, the domestic market, which is protected by tariffs and offers good remuneration for oil compared with the international market, is also characterized by sales of small quantities to final consumers through informal channels. This does not render cooperatives advantageous for product commercialization. Finally, traditional extensive olive farms use almost no inputs, generating no need for collective purchase of inputs through cooperatives.

With regard to the **argan** subsector, consultations with ANCA revealed that, of the 299 registered cooperatives that have been supported since 1995 with harvest and crushing equipment, only 77 are associated with ANCA and of these, only 28 supply the main existing second-tier organizations (one union and one GIE).⁵³ Interviews with representatives from ANDZOA and COPAG have confirmed that there are only about 30 active cooperatives working with argan. In 2015-2016 the sales value of the main existing union was MAD 6 million

⁵² According to FEDAM representatives (personal communication, December 2016), large producers already commercialize their fruit individually through supermarkets.

⁵³ According to ANCA (personal communication, September 2016), the value chain has been structured around four GIEs and three unions. However, only one GIE and one union are operating regularly, with the other GIEs having some level of activity. The best-performing GIE includes six cooperatives while the operating union includes 22 cooperatives. According to ANCA only four or five cooperatives have strong leadership.

and that of the best-performing GIE was MAD 23 million. According to ANCA, together they represent around 20 percent of the argan oil exports share. Despite their importance for the territory, these cooperatives and their union and GIE never managed to develop high value-addition activities in the country and most oil is sold and exported in bulk and then processed abroad into cosmetics or bottled as edible oil. The GIE and the union face difficulties in keeping pace with the need to innovate that the international cosmetics markets require and have been losing market share to a multinational company currently investing in Morocco which has gained around 60 percent of market share in argan oil exports.

The **oilseed**, **rice** and **sugar** subsectors are small in Morocco. According to FAOSTAT (2013 data), together they represent less than 1 percent of the total value of agricultural production in Morocco. Additionally, the existing players are mostly individual farmers and companies; since 2005 the sugar sector has been dominated by only one private industry, COSUMAR (Chaudier, 2014). Hence, cooperatives are virtually inexistent in the oilseeds, rice and sugar subsectors. With regard to **poultry**, there has been a considerable expansion in the number of cooperatives since 2011, although the average social capital of these cooperatives is low at MAD 4 610, suggesting that these are enterprises that sell small quantities in local markets and do not compete for the same markets as the chicken factory farms which dominate the sector.

3.2 Geographical distribution of cooperatives in Morocco

Figure 6 and Figure 7 show the regional distribution of cooperatives and members of cooperatives per subsector and per region in the country. The regions with the largest numbers of cooperatives are Fès-Meknès (1 370), Casablanca-Settat (1 158), Marrakesh-Safi (974), Rabat-Salé-Kénitra (956) and Béni-Mellal-Khénifra (943), all with a dairy, red meat and honey predominance. The regions with most cooperatives' members are Marrakesh-Safi (60 000), Béni-Mellal-Khénifra (50 000) Casablanca-Settat (47 000), Oriental (44 000), and Drâa-Tafilalet (34 000). Drâa-Tafilalet has the most members associated with oasis crops (mostly dates) and red meat cooperatives and Oriental has the most members associated with red meat cooperatives (herders groups). The remaining three regions have the most cooperative members belonging to dairy collection cooperatives.

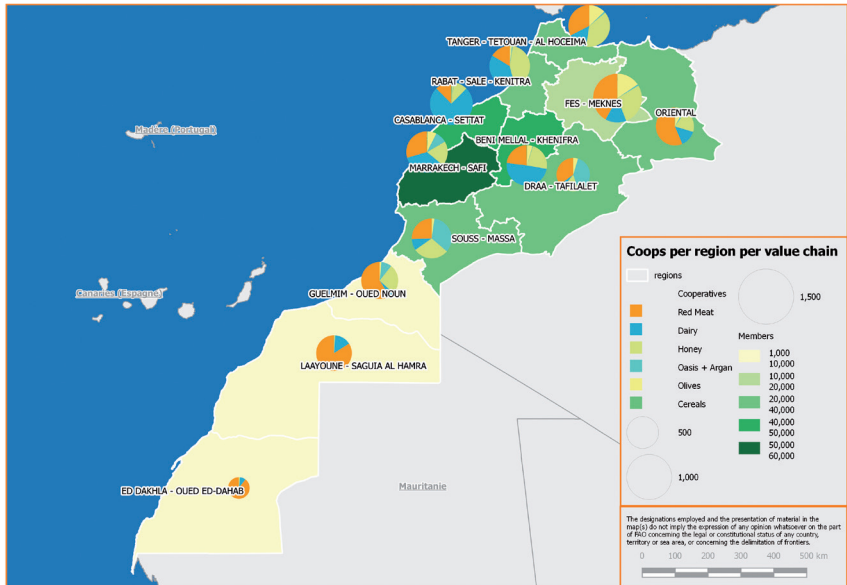
Some interesting regional distribution features can be observed regarding the geographical concentration of milk collection cooperatives. These are mostly present in the regions of Casablanca-Settat (36 000 members and 674 cooperatives), Marrakesh-Safi (30 000 members and 290 cooperatives), and Béni-Mellal-Khénifra (29 000 members and 395 cooperatives). However, as shown in Table 5, these regions are not necessarily the ones with the cooperatives that process the largest quantities of milk in the country.

Table 5: Share of milk and home region of the main milk processing cooperatives and number of milk collection cooperatives in those regions.

Milk processing cooperative	Share of the milk processed by cooperatives	Region where the cooperative is based	Number of collection cooperatives and number of members in the region
COPAG	54%	Souss-Massa	72 (7 600 members)
COLAINORD	17%	Tanger-Tetouan-Al Hoceima	127 (11 000 members)
EXTRALAIT	11%	Rabat-Salé-Kénitra	307 (16 000 members)
COLAIMO	9%	Oriental	99 (5 000 members)
Others	9%		

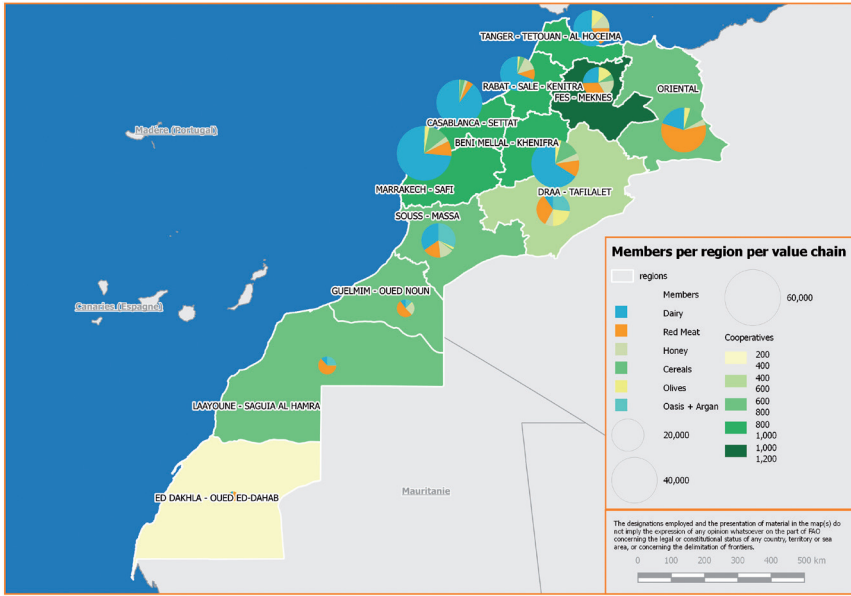
Source: Authors' compilation from Attouch and Nia (2014) and ODCO (2015).

Figure 6: Cooperatives per subsector (value chain) and region: the size of the pies is proportional to the number of cooperatives in each region, slices represent the share of cooperatives per subsector in each region and the background colours are indicative of the number of cooperatives' members in each region.



Source: Authors.

Figure 7: Cooperatives’ members per subsector (value chain) and region: the size of the pies is proportional to the number of cooperatives’ members in each region, slices represent the share of cooperatives’ members per subsector in each region, background colours are indicative of the number of cooperatives in each region.



Source: Authors.

The dairy plants in Doukkala (Casablanca-Settat) and Tadla (Beni Mellal-Khénifra) that were previously owned by cooperatives were taken over by a private operator in the 1980s, but milk collection cooperatives still operate as suppliers, which explains the absence of milk processing cooperatives and the high number of milk collection ones. In the Gharb (Rabat-Salé-Kénitra) there are two processing plants, one privately owned and one farmers’ cooperative, EXTRALAIT (Faysse *et al.*, 2010), but milk collection cooperatives are poorly organized and most of them do not even control for milk quality (Faysse *et al.*, 2010). Souss and Loukkos (Tanger-Tetouan-Al Houceima) are home to the largest milk processing cooperatives, COPAG and COLAINORD, but their regions do not figure among those with the largest number of milk collection cooperatives or cooperative members. This suggests that successful milk

processing cooperatives may depend on larger land and herd sizes and on members' capacities, more than on number of members.⁵⁴

Other subsectors that show geographical concentration of cooperatives are: (i) olives – predominantly in the producing regions of Fès-Meknès (35%), Tanger-Tetouan-Al Hoceima (22%), and Marrakesh-Safi (11%); and (ii) oasis crops – in Drâa-Tafilalet (59%), Souss-Massa (18%) and Guelmim-Oued Noun (10%). Both the olive oil and dates subsectors have benefited from the MCA programme focusing on these regions to promote the development of cooperatives associated with GIEs created for processing and commercialization (see Chapter 2). Cooperatives dedicated to fruit trees have mostly emerged in mountainous areas, where IFAD-financed programmes have targeted their interventions.

3.3 Governance and management - pillars of growth and sustainability

PCM Consulting, the firm implementing ODCO's Mourafaka programme,⁵⁵ estimates that around 90 percent of the cooperatives in Morocco have been created with the main objective of benefiting from the interventions in place since the inception of the INDH and the PMV and that the large majority of the cooperatives in Morocco face fundamental problems related to leadership, establishment of a development vision and strategy, development of sound business plans, business plan implementation, definition of operational procedures, financial management and technical capacities. The GIEs that have been supported in the olive and dates subsectors share the constraints of the cooperatives. Nevertheless, out of the 438 cooperatives created between 2008 and 2010 for which PCM Consulting is running a diagnostic, 80 percent have remained active – i.e. engaging in some degree of product commercialization – five years after their establishment.

The main exceptions to this scenario are found in the dairy and fruits and vegetables subsectors, with COPAG being the national benchmark for governance and management. Although the dairy subsector is home to some of the best cooperative governance and management practices, there are substantial differences in performance among dairy cooperatives. Attouch and Nia (2014), in a survey of the 10 largest dairy cooperatives dedicated to processing, found that only 7 cooperatives have and use operational manuals with clear commercial staff functions and quality assurance procedures. This suggests that, even in the milk processing chain, there is still room for improvement in management practices. With regard to the milk collection

⁵⁴ COPAG, by far the largest of the cooperatives, is only third in terms of milk obtained from collection centres. Nevertheless, 80 percent of COPAG's members own fewer than 10 cows (Granval, 2014) and 85 percent of the suppliers of *Centrale Laitière* own fewer than 3 cows (Chaudier, 2016).

⁵⁵ See previous chapter for more information on this programme.

cooperatives, although the majority of them face management problems,⁵⁶ it is expected that a number of milk collection centres associated with dairy plants (cooperative or companies) already have a level of governance and management practices that allow them to supply to large processors – i.e. operate according to clear bylaws, keep updated stock and financial records (often electronic), and have full-time dedicated management and staff (see, for example, Granval, 2014 and Chaudier, 2016).

The fruits and vegetables sector also presents some heterogeneity with regard to the governance and management of cooperatives. Cooperatives founded in the years after independence in 1956, and created by joining groups of new farmers who had obtained recovered land, still face challenges in their decision-making processes and in the renewal and succession of management teams, due to a large number of members having different objectives and interests. This is, for instance, the case of M'brouka.⁵⁷ Other cooperatives have been formed through the initiative of a group of entrepreneurial medium-sized farmers – for example, *Coopérative Marocaine De Primeurs* (COMAPRIM) members have an average of 19 ha each – with high technical capacity, who established competitive enterprises with professional management. The inception of PMV Pillar II also induced the creation of cooperatives dedicated to fruits and vegetables, but these normally face the governance and management challenges identified by the Mourafaka programme and described above.

Finally, another subsector with specific cooperative governance and management characteristics is that of argan. Great efforts have been made in building a cooperative fabric in the argan-producing region and in developing the capacities of its members. A well-structured union and a GIE aggregating 28 cooperatives have hired professional management with clear functions, but still struggle with a long history of illiteracy and market exclusion of the cooperatives' members and face difficulties in competing with large firms in product and industrial processes innovation. Many supported cooperatives have stopped working as such and their members sell their production through intermediaries.

3.4 Service mix – specialization vs. diversification

Existing information on services provided by cooperatives is scattered and not representative of any group of cooperatives or subsector. However, due in part to the support by the government to the creation of cooperatives as a subsector development strategy, it seems that there is a general tendency for cooperatives to specialize in a subsector and a particular set of services within each subsector

⁵⁶ For example, the *Centre d'Etudes et Recherches du Crédit Agricole du Maroc* (CERCAM) is implementing a pilot project to improve management capacities of cooperatives (some dealing with milk) so as to render them creditworthy.

⁵⁷ M'brouka has 60 members (personal communication from its president, September 2016).

(Table 6 summarizes the services that are present in each subsector in Morocco). An example is extraction and commercialization in the cases of honey and olives. Additionally, development programmes seem to have fostered a division of functions between first-tier cooperatives and unions or GIEs, in which the former are responsible for organizing production and the latter for running processing centres and market production (which can be a natural division, depending on the characteristics of each subsector). Financial services are generally absent from the cooperatives' services portfolios (with the exception of input provision on credit or some forms of warehouse receipts), and the provision of technical assistance to farmers is also limited to larger and more organized cooperatives, mostly in the dairy and fruits and vegetables subsectors and to a much lesser extent in argan. Bulk input purchase and equipment lending are the main focus of cooperatives specializing in services, such as the *Coopératives d'Utilisation de Matériel Agricole*, but these services are also not offered by most of the cooperatives. Box 7 provides a brief account of the services more commonly provided by cooperatives worldwide.

While most cooperatives focus on the provision of a few key services, the largest cooperatives (in terms of sales value) provide a wide range of services. These cooperatives (mostly in the milk, fruits and vegetables and cereals subsectors) have learned that, in order to secure the continuous interest of their members and the provision of their produce, and in some cases to remain competitive (in markets that demand traceability, certification, quality control, etc.), they need to be vertically integrated and provide members with a complete set of services (see Box 7 for a discussion on service provision). For example, Oudin (2006) found that, of 12 studied milk collection cooperatives in Tadla, 100 percent provided members with milking machines, 83 percent with animal feed, 25 percent with crop inputs and machine rental services; 3 percent have grocery shops and 16 percent have fuel stations. COPAG assists member milk collection cooperatives through 20 *centres de proximité*. These centres offer technical and managerial support to the milk collection cooperatives and their members and have service centres for sale of inputs, equipment rental, fuel provision and organization of milk transport. In the irrigation Loukkos scheme, this is done through five federations. The largest federation assists its cooperative members in accounting, in negotiation with the milk industry and in the introduction of silage techniques (Faysse *et al.*, 2010).

Table 6: Services provided by cooperatives in each subsector

Main services / Sectors	Fruits/ vegs.	Milk	Argan	Oasis	Olive oil	Red meat	Fruit trees	Honey
Primary production								
Production inputs supply	✓	✓	✓	✓	✓	✓	✓	✓
Diesel supply	✓	✓					✓	
Prod. equipment lending	✓	✓	✓	✓	✓	✓	✓	✓
Veterinary services		✓				✓		✓
Genetic improvement (AI)		✓				✓		
Insurance	✓	✓					✓	
Logistics								
Transport of production	✓	✓				✓	✓	✓
Collection/aggregation	✓	✓				✓	✓	
Storage	✓						✓	
Secondary production								
Processing	✓	✓	✓	✓	✓	✓		
Packaging	✓	✓	✓	✓	✓	✓	✓	✓
Commercialization	✓	✓	✓	✓	✓	✓	✓	✓
Health/Food Safety services		✓	✓	✓				
Services to members								
Family support (weddings...)		✓	✓	✓	✓			✓
Literacy/education		✓	✓	✓				
Food supply		✓						
Training	✓	✓	✓	✓	✓	✓	✓	✓
Accounting (union) (union)*		✓	✓					✓

Note: Not all cooperatives in each subsector provide the complete set of services. Some services may be dependent on subsidies.

Source: elaborated by ODCO.

Developing and providing a wide range of services from the moment of creation is not easy, in terms of technical, managerial and financial capacity. Hence, cooperatives generally start with a limited group of farmers with common trust and interests who gradually develop the cooperative set of services.⁵⁸ Managing growth is important; as the business becomes more solid and cooperatives gain the trust of non-member farmers, they can increase in size (membership and turnover) and facilitate the provision of a reasonably wide choice of services

⁵⁸ As opposed to collective enterprises that are created with a larger membership base and with the aim of providing one or two services to members over the long term (e.g. GIEs for olive oil extraction and marketing).

(technical assistance, equipment lending, farm inputs on credit, production storage, processing and marketing, social services, etc.)

Apart from services that directly influence the productive capacity of agricultural producers and their incomes (through improved commercialization, etc.), some cooperatives play a much broader role in improving their members' livelihoods and in terms of rural development in their local communities. An interesting case in Morocco is that of the argan cooperatives. These cooperatives, with international assistance, have enabled women to participate in economic activities (many for the first time), provided literacy training to their members, created a social welfare/mutual insurance scheme, and incentivized schooling for girls. Argan cooperatives have initiated a process of change in the empowerment, education and access to health services of their members, with the provision of a mix of private and public goods, and may in this sense justify some form of support through public funding. PCM Consulting, while running its diagnostic of cooperatives, found that the inclusion of women in economic activities has also been an important legacy for cooperatives in other subsectors (even in mixed-gender cooperatives),⁵⁹ specifically in the honey, red meat and dairy subsectors. Oudin (2006) reported that, in a sample of 12 milk collection cooperatives in Tadla, all 12 provided medical insurance, 5 provided credit to farmers, 11 provided grants for investment and 9 provided grants to local development associations.

⁵⁹ Over 2 100 cooperatives are registered in the country as women's cooperatives. Women's cooperatives are subject to the same legal frameworks as mixed gender ones, but may have priority in or benefit differently from some programmes (for example, the programmes that supported the development of the argan subsector were aimed exclusively at women's cooperatives so as to defend their role in the value chain as well as their economic independence). Many exclusively women's cooperatives were created recently through government programme support (e.g. INDH) and face the capacity issues of recently created cooperatives described in Chapter 2.

Box 7: Common services provided by cooperatives to their members worldwide

Given an adequate legal environment, cooperatives can provide a large number of services depending on the interests of their members. Common services provided by cooperatives are: input supply (bulk buying or selling to ensure better quality and lower prices); financial products (credit, insurance); equipment lending; production processing; marketing,* etc. Cooperatives and their unions can also provide agricultural extension services or even invest in research and education for the benefit of their members (Ortmann and King, 2007). The forms of service provision can also differ. For example, with regard to marketing-related services, cooperatives can: (a) commercialize member's production directly; (b) "facilitate" marketing on behalf of their members by networking and negotiating with third parties; or (c) provide market information to farmers (very common for federations).

Although services and their forms of provision can vary considerably depending on the members' interests and needs, there are common elements with regard to effectiveness of service provision. An effective cooperative will:

1. Work based on a "comprehensive market analysis." This should consider not only market prospects but also how to respond to the identified market opportunities, i.e. to recognize, *inter alia*: farmers' input provision capacity; farmers' production systems and product characteristics; available production technology; or regulatory limitations and opportunities (e.g. tax exemptions for some products).
2. Follow clear business plans which are coherent with the comprehensive market analysis. The plans must contain clear objectives and detailed action plans (what changes are required in routines, technology, working capital, programme of production, input purchase and product sales, etc.)
3. Seek to simultaneously increase value addition and reduce production costs. A cooperative must always remain attractive to both its members and clients.
4. Ensure well-defined leadership, transparency and members' commitment. Decision-making in cooperatives is complex; lack of leadership and trust from members can easily stall decisions and therefore impede progress.
5. Learn from failure and adjust strategies. Although this seems obvious, those supporting cooperatives (donors and government agencies, etc.) must be ready to identify mistakes and assist cooperatives in changing course if necessary; given the particular decision-making process of cooperatives, special support may need to be given to boards for the approval of necessary changes in the general assembly (e.g. through improved communications with members).

In sum, regardless of the services that are provided by cooperatives, effective support for their management and governance are always key for their success. This can be a subject for cooperation among cooperatives. Chapter 4 expands on capacity development support to cooperatives.

*For more detailed examples on common services provided by cooperatives, refer to Akinwumi (2006), Wanyama *et al.* (2008) or Zarafshani *et al.* (2010)

Source: based on lesson-learning exercises performed by Agriterra.

3.5 Integration into national networks – a missed opportunity

In Morocco, cooperatives are generally not organized into strong unions and federations. This may be a consequence of the cooperative governance issues that still exist in most subsectors and that hinder their capacity to form strong networks and actively participate in policy dialogue and influence domestic markets (e.g. through joint promotion). Exceptions are dairy (through FIMALAIT, COPAG and cooperatives in Tadla and Doukkala), fruits and vegetables (e.g. APEFEL, COMAPRIM, M'brouka) and cereals (UNCAM) subsectors.

Milk cooperatives have influenced milk prices and have been able to negotiate local public investment on health education and roads, as well as social services in the villages where their members live. However, with the exception of COPAG, cooperatives have not been able to play a significant role in improving productivity along the milk production chain (Faysse *et al.*, 2010).

In the case of fruits and vegetables, cooperatives and associations have had a role in negotiating trade deals and in establishing an image of trust and quality for Moroccan products in export markets. As to cereals, despite their sector dominance for a long time, cooperatives have been a mechanism for the implementation of public policies, rather than a generator of changes in policy.

The sheep and goats value chains also include some exceptional features in this regard; ANOC, which with 14 000 members includes around 10 percent of the sheep and goat breeders (and 15 to 20 percent of the national herd), has an important role in providing technical assistance on animal breeding. However, ANOC has no or very limited policy and market influence and has not been able to develop sizeable value addition activities for sheep and goat meat and milk.

Finally, the recently created professional organizations (interprofessions) also have the role of supporting subsector players – not only cooperatives – in increasing competitiveness of the respective subsectors. As mentioned in Chapter 2, with some exceptions (e.g. FIMALAIT), these organizations are still in an early development stage in terms of staff and financial capacity.

3.6 Main findings

The contribution of cooperatives to the development of the agricultural sector and to rural development in Morocco differs considerably from one subsector to another. Since the available information does not allow for a thorough quantitative analysis, a qualitative summary of the mapping of agricultural cooperatives in Morocco is provided in Table 7 below. The analysis is conducted for two key dimensions in Table 7: (i) current relevance of cooperatives *vis-à-vis* other stakeholders within the same subsector (for example, whether cooperatives account for a substantial market share of a specific commodity); and (ii) potential of cooperatives to increase in relevance in the short to medium term, given their level of development and the subsector's characteristics,

among other factors. The general performance of cooperatives in each subsector is assessed through four indicators for each dimension (first column of Table 7). For each indicator, a three stars system is used to classify the general performance of cooperatives in each subsector,⁶⁰ in which: one star (*) means low performance; two stars (**) means medium performance; and three stars (***) means high performance. The selected subsectors are grouped according to the current relevance of the cooperatives that integrate them and their cooperatives' potential to increase in relevance (columns 2 to 5 of Table 7). The main findings from this exercise are summarized below.

Relevance of cooperatives vis-à-vis other stakeholders

- Cooperatives play an important role in the milk and fruits and vegetables subsectors. While causality is difficult to evaluate, cooperatives seem to have contributed significantly to the development of the respective subsectors through modernization investments and exports.
- Milk processing cooperatives are already rather mature and face strong competition from *Centrale Danone*, which conditions them to keep high levels of quality and innovation in their products. They offer a number of advantages to their members and seem to play an important social role and contribute more broadly to rural development. A number of milk collection cooperatives are suppliers of *Centrale Danone* and benefit from technical support from this company for their improvement and sustainability.
- Cooperatives operating in the argan subsector, with the support of international donors, have contributed to the establishment of the argan value chain in the country and, to some extent, to the development of international markets for argan oil.
- In many subsectors, such as olive oil, oasis crops, red meat, fruit tree crops and honey, cooperatives seem to play a less prominent role. Most cooperatives seem to have resulted from government actions to stimulate their development, such as the PMV's push for "aggregation" in the case of the cooperatives and GIEs for olive oil and dates.

Potential for cooperatives to increase in relevance

- Continued competitiveness of the dairy subsector implies investments in productivity improvements and in securing production sustainability – especially given the water scarcity scenarios in the country. There is some room for growth, especially as consumption of milk products is still expected to grow in Morocco given both rising per capita income and population growth. Still, growth is not expected at the pace of previous

⁶⁰ This is possible because, in Morocco, cooperatives generally share similar characteristics within a given subsector. Nevertheless, the authors recognize that, while there are similarities among the cooperatives within each subsector, the analysis is a simplification of reality and there are both clear exceptions and nuances in the characteristics of cooperatives within each subsector.

periods. Increases in production are likely to be driven by increases in productivity (per animal, per dollar of input and per drop of water) obtained from efficiency gains from land and herd consolidation and herd genetic improvement. It is not clear which farmers – members of cooperatives or others – have greater potential for productivity increases, but *Central Danone* suppliers – 85 percent of whom still have fewer than three cows – show potential for consolidation.

- Fruits and vegetables cooperatives still have good growth opportunities linked to exports and increased domestic consumption. There is evidence that new successful cooperatives are still emerging. However, the sector as a whole is largely threatened by water scarcity and cooperatives will increasingly be called to play a role in water management and ensuring sustainability of production.
- The argan oil market is still expected to grow and Morocco enjoys being the only producer worldwide. However, cooperatives are in a difficult situation in terms of competitiveness due to lack of industrial investments (namely in efficient oil extraction) and will require strong commercial partners (possibly including cooperatives) with technical knowledge and investment capacities to introduce product and operational processes innovations. They also face difficulties in exporting directly (e.g. establishing contacts abroad and dealing with export procedures and formalities) and thus rely on intermediaries for export. However, the geographical location of argan cooperatives provides an opportunity for cross-sector learning, as it is also a region where solid, modern cooperatives operating in other subsectors exist.
- Oasis crops and olive oil generally have international and domestic markets with potential for growth in volume and for further value addition, but still suffer from severe constraints with regard to product quality, consumer awareness, and production, management and marketing capacities of producers. In general, the remaining subsectors (red meat, honey and fruit tree crops) require even heavier reforms in their production and market structures and/or strong capacity development interventions so that incentives for collective action can materialize.

Table 7: Relevance of cooperatives vis-à-vis other stakeholders in the subsector and potential to increase in relevance in the short to medium term of cooperatives for selected subsectors.

Current level of relevance	High relevance within the subsector	Medium to low relevance within the subsector	
Potential to increase in relevance	High potential	Low potential	
Cooperatives that generally fall in these categories	Fruits and vegetables Dairy	Argan Oasis crops and olive oil Red meat, fruit tree crops and honey	
Indicators on the relevance of cooperatives vis-à-vis other stakeholders in the value chain			
Market share of cooperatives and their importance in the sector	<p>** COPAG has about 20% of orange juice market share and about 6% of citrus national production.</p> <p>M'brouka, Comaprim, Zaouia and Cam du Sud handle large quantities of fruits and vegetables. Companies have the largest market share.</p>	<p>** Cooperatives' market share is 20%, but it has been decreasing as the market size increases and new competitors step in.</p> <p>*** Cooperatives have around 30% of the market share for fresh milk (COPAG has over 50% of cooperatives' production) Some of the producers selling to the <i>Centrale Danone</i> commercialize through cooperatives.</p>	<p>* Oasis crops represent a small portion of the agricultural production. Olive oil is processed and marketed either by large industrial groups or individuals. There are GIEs with associated cooperatives but these represent a small share of national production.</p> <p>* Most sales are done by individuals. Red meat, apples, grapes and <i>Prunus</i> contribute highly to the overall value of national agricultural production, but the participation of cooperatives in these value chains is not significant.</p>

<p>Participation in international markets</p>	<p>*** Many individual players benefit from associative structures such as APEFEL to export. Cooperatives such as COMAPRIM, COPAG, M'brouka and Zaouia export.</p>	<p>* Morocco is a net importer of milk. No commercial agents have important export operations.</p>	<p>** Cooperatives retain 20% of oil exports share, but export in bulk. Value addition is made by large companies in Morocco and mostly abroad.</p>	<p>* Morocco is a net importer of dates (trade balance of USD 78 million) and still exports very small quantities of olive oil.</p>	<p>* Morocco is only a significant net exporter of almonds (trade balance of USD 4.5 million) among these products. Cooperatives do not play a role in the market.</p>
<p>Contribution of cooperatives to increase value addition</p>	<p>*** Some cooperatives were pioneers in more sophisticated markets (e.g. COMAPRIM differentiating their products to satisfy European markets) and in introducing efficient production technology.</p>	<p>** <i>Centrale Danone</i> has the main role in product and production innovations. COPAG's competition and work on the improvement of productivity, has contributed to further develop products and production processes.</p>	<p>** Cooperatives were the first important oil commercial agents outside the region of production. Currently, are more like to be introduced by private companies, though.</p>	<p>** With some potential in the short/medium term, if main bottlenecks in terms of management, technical capacities and marketability are removed.</p>	<p>* Due to the characteristics of the market and producers, there is little potential for cooperatives to contribute to value addition in the short/medium term.</p>
<p>Importance of cooperatives vis-à-vis other forms of collective action</p>	<p>*** Associations play a role in the sector in advocacy, promotion, market research, technical assistance, services provision, etc. The role of cooperatives is nevertheless considerable.</p>	<p>*** The most important collective enterprises are registered as cooperatives, even when they are <i>de facto</i> unions of cooperatives, but there are a number of unions providing support services to cooperatives.</p>	<p>** Unions and GIEs coordinate the value chain and have stronger human resources and management capacities. Cooperatives are mostly nut collection and cracking groups.</p>	<p>** GIEs are promoted as the main engines for development in the olives and dates value chains. These are expected to structure a larger number of first-tier cooperatives, but still face severe bottlenecks.</p>	<p>* The association ANOC is the most influential organization supporting the goat and sheep value chains. The remaining organizations in this subsector are still not very influential.</p>

Level of relevance	High relevance with the subsector		Medium to low relevance within the subsector	
Potential to increase in relevance	High growth potential	Medium/low growth potential	Medium to low relevance potential	Low growth potential
Cooperatives that generally fall in these categories	Fruits and vegetables	Dairy	Argan	Oasis crops and olive oil
Indicators on the potential of cooperatives to increase in relevance				
Potential for market growth	<p>*** Cooperatives export to large markets such as Russia and China that can absorb large quantities of production, but increasing production means dealing with water scarcity.</p>	<p>** Morocco is a net importer and domestic consumption should still increase. There is room for productivity increase. Water scarcity is a strong threat to the sector.</p>	<p>*** The market for argan has been increasing worldwide and Morocco is so far the only producer.</p>	<p>** Morocco is a net importer of dates. Markets for olive oil have growth potential. National quality and consumer awareness issues need to be addressed, though.</p>
Current incentives to expand collective work	<p>*** Depending on the cooperative, producers benefit from a higher sales price, from a multitude of services (technical advice, input supply, cold storage, market prospection and export of production).</p>	<p>*** Depending on the cooperative, producers benefit from a higher price (COPAG case), and/or from a multitude of services at lower prices (technical advice, input supply, milk transport, etc.)</p>	<p>** Cooperatives are instrumental in enabling the sale of argan nuts and increasing economic inclusion and access to education to women and youth, but face price competition from intermediaries.</p>	<p>* Informal local markets absorb the production as, in general, there is no premium paid for quality by formal markets. There is little need for investment in processing or joint sales through cooperatives.</p>

<p>Potential for cooperatives to increase their participation in the market</p>	<p>*** Cooperatives and associations have been and still are important in enabling small and medium farmers to export.</p>	<p>** It is unclear which farmers (whether cooperative members or others) can still achieve stronger land/ herd consolidation and productivity increases.</p>	<p>** Cooperatives have an image of social sustainability but recent increases in demand have been addressed by companies with more efficient technology.</p>	<p>** Existing bottlenecks can be partially overcome, but will require development of the cooperatives' or GIEs' capacities and product advocacy, <i>inter alia</i>.</p>	<p>* In general, these subsectors face problems that condition the development of cooperatives as marketing agents.</p>
<p>Access to credit</p>	<p>** Not a problem for larger cooperatives with refrigeration, processing or packaging facilities (collateral) and professional management. Difficult for cooperatives with weaker governance.</p>	<p>** Not a problem for the subsector leaders and those who directly collaborate with them (e.g. COPAG's member cooperatives). Still a challenge for many less-organized milk collection cooperatives.</p>	<p>* Difficult to obtain and dependent on development programmes' financial assistance. Cannot finance the levels of innovation that are required to ensure sustainability.</p>	<p>* Generally without access due to governance and management issues. Many GIEs have been awarded credit for working capital for a first harvest, but could not maintain their creditworthiness.</p>	<p>* Generally without access due to governance and management issues.</p>
<p>Capacity to influence policy and markets</p>	<p>** The fruits and vegetables contribution to the agricultural sector is sufficiently large for producers' associations to have a role in policy and trade negotiations.</p>	<p>** Cooperatives have sufficient market share and political clout to have influenced, to some degree, some policy decisions in the country.</p>	<p>* The visibility of argan cooperatives is due to the involvement of international assistance agencies, not to their capacity to influence policies or markets.</p>	<p>* There are no national level cooperatives or associations with the size and organization that are necessary to influence the sector dynamics.</p>	<p>* There are no national level cooperatives or associations with the size and organization that are necessary to influence the sector dynamics.</p>

Source: Authors' compilation from information from field interviews, Attouch and Nia (2014), Granval (2014) and FAOSTAT (2013 data).

Chapter 4 – Key issues and opportunities in the cooperative sector

This chapter builds on the study's main findings to identify opportunities in Morocco to provide a more enabling environment for cooperatives to maximize their contribution to the country's agrifood sector and be an engine for rural development. The chapter is organized according to four main themes that are considered to be key in dictating the success of cooperatives and highly relevant to Morocco: (i) the motives for the creation of cooperatives and whether these are in line with the normal functions of a cooperative – *De jure vs de facto cooperatives*; (ii) the availability of expertise and support services that enable the development of cooperatives in different agricultural subsectors – *Capacity to sustain growth*; (iii) the availability of and access to finance, and most notably to credit – *Financing cooperative action*; and (iv) sector regulatory and market specificities that have an impact on the incentives for collective action in a given country – *Specific value chain challenges*.

Each section is organized into two subsections: a characterization of the issue followed by a discussion about actions taken in Morocco to tackle the issue. At the end of the chapter two final sections identify opportunities for improvement and propose a preliminary framework for action.

4.1 *De jure vs de facto cooperatives*

Chapters 1 and 3 have described how the policies and programmes summarized in Chapter 2 may have been the main driver for the large increase in the number of cooperatives in the past 15 years, even in agricultural subsectors lacking clear market and regulatory incentives for the development of collective action organizations.

The big drive for cooperative creation

A commonly observed reason to push for rapid creation of cooperatives, unions and GIEs is the need to use such organizations as a means for policy and public programme implementation (including donor-supported projects). The fact that cooperatives comprise many individuals makes them an efficient means to distribute aid packages, as opposed to individuals – government officials and technical assistance agencies can deal with one organization rather than many individuals (meaning lower transaction costs). Donors and governments often find it easier to justify providing semi-private goods rather than purely private goods to individual companies or individuals, as financed assets become the property of an organization with many members who have approximately equal shares. Hence, the use of cooperatives/farmer groups as mechanisms for

programme implementation is not new to agricultural and rural development policy (for example, World Bank and IFAD-financed projects aimed at developing agricultural value chains often use cooperatives and associations as direct investment beneficiaries).

In a situation in which a large network of well-functioning cooperatives does not exist there is often an even greater pressure for building new organizations quickly, to support government or donor policies. These cooperatives will include members possibly working in a common subsector (e.g. olives) with perhaps some social affinity but not necessarily sharing specific common business interests other than accessing government funds. This is the type of situation in which *de jure* cooperatives are created but the conditions are not met for the establishment of *de facto* cooperatives. In order to be considered a *de facto* cooperative, the organization is expected to perform specific functions that its members value, which normally requires a “living” institution with operating governance bodies and periodic general assemblies attended by a majority of the members. By this metric, many cooperatives in Morocco would not be *de facto* institutions,⁶¹ but rather instruments created at a given point in time to access specific advantages. Cooperatives with these characteristics are merely *de jure* institutions that usually become dormant once their initial short-term purpose is attained.

In Morocco, during the last 15 years, cooperatives have been a preferred vehicle for the implementation of social and subsector development policies, particularly in less-favoured rural areas with a large number of farmers who have small landholdings. Although the policy focus on cooperatives may have some merit from a rural development perspective and also as a “business” solution to land fragmentation, existing mechanisms do not always ensure a comprehensive support environment for the development of cooperatives, including legal and management advisory services, financing of applied research, or the preparation of statistics dedicated to the country’s social economy organizations. Moreover, existing mechanisms do not guarantee that cooperatives are formed with common objectives, other than simply accessing government incentives. This phenomenon has resulted in many non-operational cooperatives that may just be instruments to acquire private benefits. CERCAM and PCM Consulting estimate that only 10 percent of the agricultural cooperatives in the country can be considered to have both a clear purpose and

⁶¹ There are certainly exceptions in Morocco. Two well-known cases are COPAG and COMAPRIM, which arose from the need by groups of farmers to enter economies of scale, be able to vertically integrate production and reach common, very competitive markets.

a defined plan and *modus operandi* to fulfil it; i.e. currently only 10 percent are estimated to be *de facto* cooperatives.⁶²

This means that a significant share of investments resulted in inefficient use of public funds, lost opportunities for cooperatives' members, and a negative impact on the image of cooperatives, which can in turn undermine the business outlook for *de facto* cooperatives in several ways: credibility with clients and suppliers, creditworthiness, product image, etc. This is not a phenomenon exclusive to Morocco. For example, Hollinger and Marx (2012), in a study built on findings from investment by international financing institutions in several countries, through grants given to groups of individuals, argue that supporting asset creation among groups of people, instead of individuals, may lead to lack of care and maintenance of the assets received or failure to achieve satisfactory levels of profit.

Support to the development of *de facto* cooperatives

The importance of the issues described above has been recognized by many institutions in Morocco, notably MAESS and ODCO. In fact, SNESS 2010-2020 enshrines and emphasizes the need for enhanced technical, organizational and managerial capacities of social economy organizations.

As a first step towards the implementation of SNESS, the Government of Morocco enacted the new law on cooperatives (no. 112-12), which simplifies registration procedures and facilitates administration and financial management of cooperatives, while also imposing more stringent regulation in terms of providing evidence of the activity of registered cooperatives (e.g. presentation of financial documents, holding of assemblies, etc.) If applied efficiently, this law may lead to greater clarity regarding the true size of the cooperative sector and the main constraints to the growth and development of *de facto* cooperatives. Also within the framework of SNESS, ODCO set up the Mourafaka programme, aimed at supporting cooperatives in terms of entrepreneurship, innovation and business management, so as to equip them with tools to enable their operation and sustainability. Finally, a new law on social economy, currently under formulation, is expected to improve the support mechanisms for reinforcing cooperatives' capacities.

Despite a number of positive initiatives aimed at increasing efficiency in public spending and supporting greater efficacy in the way cooperatives (and GIEs) serve their members and contribute to the sectors where they operate, a large number of programmes and agencies are still directly or indirectly

⁶² This estimate is based on the 438 cooperatives which are benefiting from the Mourafaka building programme and the approximately 1000 cooperatives that constitute the cooperatives' client base of the GCAM. The sample is not random and therefore there is no accurate account of the number of actually fully functional cooperatives. However, discussions held with cooperative stakeholders, industry organizations and public officials suggest that the share of *de facto* cooperatives in the total number registered in Morocco is small.

promoting the development of new cooperatives (see Chapter 2). Some of the programmes have, simultaneously, quantitative targets for an increase in the number of cooperatives and for the growth (in production or turnover) of a particular subsector in the country. This means that the creation of cooperatives as a means to implement subsector strategies and provide public goods may continue, inducing the creation of more *de jure* cooperatives. This phenomenon, associated with a lack of a medium- to long-term mechanisms or support structures for the sustainable development of cooperatives, can lead to poor outcomes (i.e. most of these newly formed cooperatives will never evolve towards actual enterprises).

Key figures⁶³

Over 10 500 agricultural cooperatives in Morocco.

Around 10 000 agricultural cooperatives to be created between 2015 and 2020.

Around 460 cooperatives supported through interventions that are geared towards increasing management capacities – Mourafaka (ODCO) and pilot programme by CERCAM.

About 1 000 agricultural cooperatives estimated by GCAM to have capacity to access to credit.

4.2 Capacity to sustain growth

The success of cooperatives in a country depends partially on the motivations for their creation (as indicated in the previous section). Another important success factor for cooperatives is the available technical, managerial and organizational capacities, as well as services that can support the development and improvement of these capacities. This section addresses this important issue.

Installed capacity in social economy enterprises in Morocco

Cooperatives, like any other type of enterprise, require effective management and decision-making mechanisms to develop and be sustainable. However, cooperatives also have governance and management structures that are different from investor-centred enterprises. For example, most important decisions are ultimately taken during general assemblies and not by managers. Also, conveying information to a general assembly requires different formats and skills from those required for a chief executive officer presenting to a company's board of directors. Moreover, the general assembly may be more interested in maximizing payments to members (dividends and patronage) or creating jobs than in the usual performance indicators of investor-oriented enterprises (e.g. maximizing profits, increasing assets over the medium to long term).

⁶³ Source: authors' compilation from data from ODCO, ONCA and CERCAM

In the classic cooperative model, managers or advisors of the cooperative will also have to deal with members being exposed to the same risks in a new investment, regardless of their interest in a particular investment and of their risk profile. Hence, it is not surprising that existing management advisory services in a country may not be adequately equipped with the specific tools required to serve cooperatives. These problems are exacerbated for agricultural cooperatives, which operate in a sector with a wide range of activities with very different characteristics and risk levels and in which advisory services (including public services) are usually geared towards support to primary production. For example, the technical and market knowledge needs for a wheat cooperative focusing on wheat production, storage and commercialization are very different from those for a cooperative dealing with olive oil. Hence, it is difficult to find advisory service providers that can provide a complete set of technical, managerial and marketing support services, as is required when cooperatives vertically integrate the operations of a specific value chain. Finally, it is common that rural populations are poorer, more geographically dispersed, and have lower educational levels than urban ones. When this is the case, many agricultural enterprises already start with less capital and a lower knowledge and business experience base and in an environment with a poorer critical mass than urban-based enterprises. These factors add to the often risky nature of agricultural businesses due to weather and other shocks and the subsistence nature of many individual farming enterprises.

The general lack of managerial and financial management capacity in agricultural cooperatives creates difficulties in ensuring the sustainability and growth of operations and creates obstacles in terms of access to finance, as these enterprises often lack sound and clear business plans, adequate financial statements or a history of engagement with banks by their members (see next section for details on access to finance). This reality, combined with weak or partial technical capacity, will generate additional problems, such as difficulties adopting competitive industrial processes or adequate quality control systems.

The circumstances in Morocco are not very different from those commonly found elsewhere and described above. The lack of managerial and technical expertise is clearly a problem in the context of Moroccan cooperatives and is one that has not yet been adequately addressed, despite many efforts. For example, the red meat value chain faces difficulties in controlling meat quality, in order to differentiate in the market and reach markets that would pay a premium for a higher quality product. Argan oil extraction by cooperatives is less cost-efficient than that undertaken by large companies with more sophisticated equipment. The argan value chain is a good example of how lack of technical, managerial and investment capacity can lead to cooperatives losing competitiveness relative to other industry players, thus compromising their sustainability.

Multiple efforts on the development of cooperative capacities

The Moroccan government has identified lack of capacity in the country's cooperatives as one of the hindrances to the achievement of its agriculture development targets and it has set a number of initiatives to tackle this issue. These initiatives are diverse in nature and usually not coordinated so as to obtain cross-learning and efficiency gains. As such they have produced mixed results.

MAPM agencies and departments – namely ADA and the DDFP – have been supporting the development of GIEs, mostly in the olive oil and date palm sectors. Despite their partnerships with UNOPS and GCAM for the development of capacities and improved access to finance for these enterprises, the large majority of GIEs still struggle with key issues such as member motivation, management quality, understanding different market segments, product quality control and certification, financial management and timely decision-making. This is coupled with a lack of sufficient high-quality, value chain-specific technical knowledge and a long-term perspective from cooperatives and support agencies to address these issues. For example, in the case of the olive oil subsector, GIEs often ended up with oversized mills and, with some exceptions, very low utilization of existing milling capacity. During field work conducted for this study it was observed that a number of cooperatives visited have been provided with infrastructure and equipment through support programmes without a clear business plan to justify it (e.g. a cooperative fully equipped with machinery for, say, couscous production and packaging, but accessing exclusively government-sponsored fairs during the year where it sells small quantities of the product at a high price).

Other MAPM programmes, such as those financed by IFAD or through bilateral cooperation, are often focused on *produits du terroir* in remote areas; they target destitute populations and collective action is normally characterized by a very low organizational, managerial and technical capacity base. Cooperatives created within this context require long-term development support, even when their members are truly motivated towards the objectives of the cooperative. In general, these programmes are limited in time and very diversified in the subsectors and geographical areas they support. They are therefore unable to generate and institutionalize a widespread network of services with the capacity to provide a comprehensive range of services to cooperatives over the long term in any part of the country. As a consequence, products in Morocco developed through many such initiatives and labelled as *produits du terroir* do not always have recognizable distinctive features or adequate quality standards that are guaranteed by independent institutions. They thus struggle to remain competitive or even fetch a premium in the market.

In 2012, the MAPM established ONCA to reduce the technical assistance gap in the agriculture sector. This entity was given an ambitious mandate in terms of the number of cooperatives it should support and the type of support it

should provide: technical, managerial and financial management skills in all of the PMV priority value chains and for all tiers of these value chains. However, this strategy raises some questions as cooperatives operate in increasingly competitive agrifood markets that require innovation capacity in production and commercialization to maintain a competitive edge. Therefore the cooperatives need high-quality technical support and commercialization/marketing expertise, which are often areas in which public structures are notoriously weak (relative to the private sector). Box 12 in the section on opportunities provides an example of how some countries have addressed this issue.

An additional and important initiative is that of ODCO's Mourafaka programme, which has been supporting 438 cooperatives in developing their organizational and managerial capacities. This endeavour has been outsourced to the private sector, which is still developing its own capacities in this field, and there is not yet a clear strategy on how to ensure its sustainability beyond the Mourafaka programme's financing. ODCO is also pushing for the development of unions that could, in the near future, offer services to their member cooperatives.

In general, government-run support mechanisms are mostly supply-driven and are still very fragmented in terms of both the institutions that provide them and the services they offer. Thus far, the most complete and consistent support provided to cooperatives has been provided by other cooperatives. COPAG and the unions operating in the dairy subsector in the north of the country are the best example of such support, as described in Chapter 3. On a much smaller scale, and facing many difficulties, are the unions of cooperatives operating in the argan value chain, which have also been responsible for sustained support to the member cooperatives in technical, managerial and organizational aspects. However, even the best-performing union still requires external assistance and financing to develop its industrial processes, product mix and services-to-members portfolio. Box 8 provides an example of the large impact of technical assistance interventions for cooperatives.

Key figures⁶⁴

At least 8 ministries and national and regional government agencies with a mandate on technical assistance to cooperatives, but with different approaches and objectives.

19 subsectors being supported through interprofessional associations – there is no specific mechanism to ensure a specific representation of cooperatives; these are represented, as are all other enterprises, by the regional association to which they belong.

⁶⁴ Source: authors' elaboration from information compiled for previous sections.

Box 8: Impacts of improved governance and management capacity in cooperatives’ “bankability”

Chapter 2 described how, typically, cooperative members prefer to maximize surplus distribution rather than capitalize the cooperative, and how this behaviour impairs the cooperatives’ capacity to access credit. Chapter 2 also explained how a number of incentives for capitalization can be introduced to the cooperatives, depending on the members’ preferences and characteristics and the national legal framework (e.g. non-withdrawable deposits). Introducing such mechanisms requires developing capacities in the governance bodies, stronger member awareness of the benefits of capitalization and trust in management. Increasing cooperatives’ efficiency with resulting increases in revenue/units sold can also enable larger surplus retention.

An example of a case in which capacity development interventions succeeded in increasing cooperatives’ capitalization and access to credit is that of a group of six cooperatives which gained access to specialized technical assistance in Peru (Coopecan, Oro Verde, Coopain Cabana, Costach, Norandino and Sol&Café). During a sustained three-year period of technical support in financial management, business planning and internal capitalization, these cooperatives gained access to credit which was used to invest in new assets. During this period, total fixed assets increased by nearly 250 percent (approximately 2.8 million euros), while the total current assets increased ten-fold (approximately 9.6 million euros). Total sales increased approximately three-fold – a total increase of approximately 23 million euros – and the cooperatives were capable of securing export contracts. The increase in fixed assets, turnover and the existence of exports contracts then opened new opportunities to access working capital loans, generating a positive feedback loop of increased growth in assets and turnover and increased access to credit.

Source: Agriterra.

4.3 Financing cooperative action

As discussed before, cooperatives rely for finance primarily on retained earnings and credit. However, it is estimated that around 90 percent of the currently registered cooperatives in Morocco do not access credit.⁶⁵ This section expands on the discussion about the current characteristics of credit demand and supply from and to cooperatives.

Credit supply and demand in the agriculture sector

The difficulties cooperatives face in accessing credit are often similar to those of individual farm enterprises; they are a result of the specific characteristics and risks of the agricultural sector. Agriculture in many countries is characterized by a large number of small, multifunctional holdings with insecure or informal land tenure and managed by a population with levels of literacy below country

⁶⁵ Many such cooperatives may not be operating or may deal with very low levels of production. Only after the cooperatives registry update, will information on the level of operation of the registered activities be available.

averages. Hence, the demand for credit exists, but implies high transaction costs for credit suppliers. Moreover, the agricultural sector's high exposure to climatic risks and the large diversity of enterprises, crops and value chain arrangements and regulations, inhibit many credit institutions from developing products and risk assessment systems that are adapted to the sector.

These constraints thwart the development of formal credit products for rural areas, generally reducing offers to two large categories of clients: (i) agricultural/rural enterprises⁶⁶ that comply with the standard financing conditions and risk mitigation measures imposed by the Central Bank and whose activities can be financed by a universal bank⁶⁷ with capacity to diversify and thus mitigate the agricultural sector's risk; and (ii) individuals and micro-enterprises that extract most of their income from activities other than agriculture and obtain credit from specialized microfinance institutions for a limited number of activities.

GCAM is the leading agrifood sector bank in Morocco and offers a large range of financial products to agriculture. GCAM has 850 agencies and 4 000 employees at the service of its client base and has provided a total of USD 6.9 billion⁶⁸ of outstanding loans, 60 percent of them to agricultural enterprises. GCAM is a financial institution clearly focused on the agricultural sector; it holds nearly 100 percent of market share in credit to family farmers and small cooperatives, as it finances investments in all value chain tiers across all agricultural subsectors.⁶⁹ Morocco's agriculture sector represents around 4.4 percent⁷⁰ of the total number of outstanding loans in the country; even including agri-industry the total is less than 9 percent of the total loans volume in Morocco (the agrifood sector's share of GDP in Morocco is around 17%). The ratio of private credit to GDP is thus higher than in many developing nations but still substantially below what can be found in countries with higher per capita income. Morocco has made great progress in terms of developing financial products for the agrifood sector and increasing supply but there still seem to be difficulties in reaching a large share of the agrifood sector stakeholders.

Over the years and through its experience in the agriculture sector, GCAM has sought to increase its client base in rural areas to a third category of clients: those that are often non-bankable, including many agricultural cooperatives

⁶⁶ i.e. commercially driven farms with assets that can be readily used as collateral. Such bankable farms and/or agro-industries in Morocco represent 10 percent of the agricultural enterprises, 22 percent of the agricultural area and 30 percent of the irrigated areas (quote from the *L'Economiste*, 2011, in Ramirez and Hernandez, 2016)

⁶⁷ i.e. highly diversified bank with commercial and investment activities and with highly diversified financial products in more than one sector.

⁶⁸ In comparison, from 2008 to 2012 the FDA had disbursed MAD 3.2 billion in the frame of Pillar I (GCAM, 2014)

⁶⁹ Information provided by CERCAM.

⁷⁰ Source: *Rapport Annuel* 2015 of Bank Al Maghrib

(as well as small and medium enterprises) and their members.⁷¹ This middle segment has been serviced by GCAM, through its subsidiary, Tamwil El Fellah (TEF), since 2009. TEF leveraged GCAM's proximity to clients through its wide network of agencies and the client knowledge from microfinance operations financed through its ARDI foundation. The cross-subsidization of GCAM services on common human resources, its agricultural market knowledge and infrastructure and its diversified portfolio, together with a credit guarantee fund set up by the state (the Prudential Stabilization Fund - PSF), covering up to 60 percent of the risk, were key to making the development of TEF financially feasible. However, to establish TEF, GCAM has had to invest, *inter alia*, in the design and implementation of a loan scoring system capable of overcoming hindrances to loan qualification, such as lack of collateral, and in specific products for different value chains and value chain tiers. It also had to establish partnerships with institutions able to provide technical assistance and managerial coaching to borrowers (adapted from Ramirez and Hernandez, 2016). See Box 9 for an example of similar approaches.

Box 9: The role of credit institutions in developing credit access capacities in cooperatives

Recognizing the usual problems of cooperatives in terms of low solvency rates and general poor management capacity, the Landbank, a public financial institution and the largest formal credit institution in the rural areas of the Philippines, devised a programme to increase bankability of the country's agricultural cooperatives.

The Landbank uses the profits derived from its commercial banking operations to finance development programmes and initiatives, which should in turn result in an increase of the bank's client base. In order to support cooperatives, the Landbank designed a classification system – the *Enhanced Cooperative Operations Review Instrument*– which classifies cooperatives according to four levels of “maturity” – from A (highest) to D. The lower the “maturity level,” the higher the perceived credit default risk.

Cooperatives that apply for credit are assessed through this system and initially placed in two main categories: (i) cooperatives qualified as A and B, which are clients with well-performing outstanding credit, but who want to increase their borrowing capacity by paying themselves for technical assistance services in management; and (ii) cooperatives qualified as C and D, which will receive the technical assistance at the expense of the Landbank development arm.

⁷¹ This segment represents 50% of the agricultural holdings (750 000 of the 1.5 million holdings in Morocco according to GCAM, 2016, and the *Recensement Général de l'Agriculture* of 1996), 70 percent of the agricultural area and 65 percent of the irrigated areas (Ramirez and Hernandez, 2016).

Capacity development interventions focus on two main objectives:

1. Train/coach the board of directors, management and administrative staff of cooperatives on: (a) improving internal policies, systems and processes; and (b) strengthening internal control systems.
2. Address additional weaknesses identified as a result of the application of the Enhanced Cooperative Operations Review Instrument.

In Morocco, CERCAM has piloted a similar initiative for twenty cooperatives in partnership with the *Agence Française de Développement*. The objective of the pilot was to demonstrate how technical assistance can provide a key contribution to render cooperatives more “bankable”. In a first stage, ad hoc tools for business performance analysis were developed for each cooperative by CERCAM, its implementation partners (the *Réseau CERFRANCE*) and the cooperatives’ managers. In a next stage, the implementation partners provided technical support focused on improving each cooperative’s specific performance indicators.

Source: *Agriterra and CERCAM*.

Access to credit by agricultural cooperatives and GIEs

TEF represents a breakthrough and a regional benchmark in terms of credit provision to rural enterprises; of a total of around 1 000 cooperatives that benefit from credit from all GCAM subsidiaries, 365 of them benefit from credit from TEF.⁷² As of 31 December 2016 TEF had disbursed a volume of credit of USD 160 million⁷³ to 70 000 clients, more than 10 000 of whom received credit through cooperatives. TEF serves approximately 1 600 small farmers every month. Its portfolio is distributed mostly between irrigation (27%), red meat (23%), milk (13%), horticulture (12%) and fruits (8%). However, there is still much room for expansion: of the 750 000 agricultural holdings that GCAM estimates as belonging to the segment of TEF clients, only around 9.3 percent had accessed credit as of 31 December 2016.⁷⁴ This is in line with the previous finding that ratio of private credit to GDP is below what can be found in countries with higher income per capita and that there are still difficulties in reaching a large share of agrifood sector stakeholders, namely smallholders. TEF is a recent initiative and has shown consistent growth in the last few years (disbursed volume of credit increased by 40 percent in 2014 and 2015 and by 24 percent in 2017 relative to the previous year). It thus seems to have potential to address constraints on access to credit, but it is not free of challenges, as explained below.

⁷² GCAM also finances approximately 40 GIEs, mostly in the olive oil and palm dates sectors.

⁷³ Estimated public and private investment needs for the next five years as stipulated in the current *contrats-programme* are: MAD 29.5 billion for olives, MAD 21 billion for fruits and vegetables, MAD 9 billion for citrus crops, MAD 7.6 billion for dates, MAD 10.2 billion for fruit trees, MAD 2.8 billion for argan, MAD 100 million for saffron, MAD 100 million for roses, MAD 12 billion for dairy, MAD 5 billion for red meat, and MAD 1.48 billion for honey (MAPM, 2015).

⁷⁴ Ramirez and Hernandez (2016) provide a detailed description of Tamwil El Fellah.

As it has been made clear throughout this document, improving access to credit for cooperatives and GIEs that are often considered not creditworthy requires long-term investment in capacity development. To overcome this hurdle at the necessary scale is not easy. A number of mechanisms have been put in place, all of them with specific limitations:

- *Use of GCAM's highly specialized workforce and presence throughout the country and in all agriculture subsectors:* Despite the comparative advantage of GCAM staff (including CERCAM),⁷⁵ the group cannot forgo all its staff to address the demand for TEF; additionally, knowledge transfer to new recruits takes a significant amount of time relative to the desired expansion rate of TEF's portfolio (Ramirez and Hernandez, 2016).
- *Partner with government programmes and agencies:* Government programmes provide cooperatives and GIEs with assets (and thus collateral) and technical assistance through grants. However, as seen above, the main focus of government programmes is not on qualifying agricultural enterprises for credit.
- *Partner with ONCA:* ONCA faces an enormous demand for technical assistance in the framework of the PMV and, as discussed above, it is not always ideally placed to respond to specific technical demands, as well as having its own capacity constraints (in terms of responding to demand at scale).
- *Partner with associations and NGOs (traders and farmers associations) operating in geographic areas where no government programmes are present.* These organizations have the greatest potential to specialize and evolve into key technical assistance providers within each subsector, but as of now they are generally small structures which cannot supply the scale, diversity, size and specialization of technical assistance that it is needed.

In addition to the capacity limitations in providing technical support to prospective borrowers, the GCAM's TEF faces a limitation of its supply in the form of a cap to the loan amount per client.⁷⁶ Ramirez and Hernandez (2016) argue that the current maximum amount is too low for about 25 percent of the population to cover financing of their working capital and investment needs. This cap on the loan amounts cannot be easily increased given the mandatory credit guarantee coverage of 60 percent of TEF's portfolio and the fixed asset size of the credit guarantee fund (Ramirez and Hernandez, 2016). However, CERCAM representatives have stated that up to now this has not been a real hindrance to

⁷⁵ For instance, just in the Ouarzazate province, the TEF and ARDI financed approximately 1 000 small and very small enterprises in 2016 for a total sum of USD 1.5 million.

⁷⁶ Credit limit for TEF is MAD 100 000/individual client – MAD 20 000 for inputs and MAD 80 000 for capital (a cooperative is entitled to this amount times the number of its members); loan duration can range from 12 months to 5 years; interest rates are 8 percent for working capital and 8.5 percent for investment (Ramirez and Hernandez, 2016).

the attribution of credit to cooperatives; general insufficiencies in management capacities and business orientation of cooperatives pose a much more severe constraint.

Key figures⁷⁷

Around 750 000 holdings, representing 70 percent of agricultural land and 65 percent of irrigated areas, within the market segment of the TEF.

Around 70 000 clients reached with USD 160 million by TEF so far.

Around 10 000 clients reached by TEF credit through 365 cooperatives.

Nine percent of the total loan volume in Morocco conceded to the agrifood sector, while this sector represents 17 percent of Morocco's GDP.

Nearly 100 percent of the market share of credit to family farmers and small cooperatives held by one bank.

4.4 Specific value chain challenges

Subsector heterogeneity

There are many factors that can create substantial differences in how cooperatives may contribute to the growth of a specific agrifood chain. Most importantly, some of the differences across subsectors are intrinsic and create very specific challenges for developing the cooperative sector. For instance, some subsectors have characteristics that result in immediate benefits from collective action. This is the case for food chains that deal with highly perishable and differentiated products requiring technical sophistication in production, handling and transport (e.g. fruits and vegetables) or perishable products from a large number of small producers, which can benefit from collective action for fast processing and marketing (e.g. dairy).

Other subsectors deal with commodities that have more traditional production systems (e.g. cereals) and/or require low capital intensity along the value chain (for example, Morocco's extensive system of olive production uses few inputs and olive oil extraction represents a small percentage of the total production cost). Stakeholders in these subsectors may see little incentive for collective action.

Many factors (e.g. regulation, availability of institutional support) can generate different kinds of incentives that support development of cooperatives. Incentives can then be adjusted through policy changes (e.g. changes in regulation that lower informality premia or improvement and enforcement of quality standards). Table 8 presents a summary of key subsector-specific issues that were identified during previous FAO/EBRD studies and also the authors' communications with in-country stakeholders. The idea is to open a discussion on policy and market

⁷⁷ Source: authors' elaboration from personal communications with CERCAM staff.

challenges that need to be tackled before specific large-scale investment is made in collective action. The information provided in the Table is just intended to highlight how selected agrifood subsectors need to address key issues to promote cooperative development (or boost the ability of cooperatives to contribute to subsector growth) rather than being a comprehensive subsector analysis (which is not the main objective of this study).

Table 8: Examples of key subsector specificities that influence the level of incentive in each subsector for collective action (I) or threaten the sustainability of existing cooperatives or the subsector in Morocco (S).

Subsector	Key specific issues
Fruits and vegetables (including citrus)	<p>I: Moroccan production generally reaches export markets with high-value-added products; cooperatives have proven to be an effective means to provide the scale to conduct market evaluation, negotiate large contracts, etc.</p> <p>S: There is strong presence from large groups. For example, according to M'Brouka representatives, Nadorcott currently represents 25-30 percent of the mandarin market in the country, making it difficult for cooperatives to compete.</p> <p>S: The sustainability of cooperatives and other producers may be dependent on dealing with water issues (namely groundwater depletion) and addressing the issue may require large-scale (irrigation scheme/aquifer level) collective action.</p>
Dairy	<p>I: Small industries face problems in managing seasonal shortages and surpluses and may require investments in drying and sterilizing equipment; collective action may facilitate investment and increase the ability to attract managers with skills to run a more complex business (with larger volume of production and sales value).</p> <p>S: Securing (or regaining) market share by cooperatives requires process and product innovation, dealing with information and power asymmetries within the sector (e.g. between milk collection cooperatives and dairy industries), efficiency gains for members' primary production and increased environmental sustainability; not all cooperatives may be able to make the necessary investments/changes.</p>
Cereals	<p>I: Since market liberalization, cooperatives have lost their monopoly in cereal trade in Morocco and their market share has dropped to approximately 2 percent of national production; it is difficult to enter a market dominated by large firms.</p> <p>I: Cooperatives inherited outdated and heavy infrastructure and still have the obligation to give priority to the purchase of national grain at a set minimum prices so they have reduced competitiveness <i>vis-a-vis</i> other private players.</p> <p>I: Overall competitiveness of national cereal production vs imports from the Black Sea and other regions is low and the trend is for concentrating land and water resources in higher-value-added agriculture, which indicates a potential further decline in cereal-planted areas in the future, leaving no incentive for new investment.</p>

Olive oil	<p>I: Most olive producers use extensive low-input systems and the domestic market suffers from lack of consumer awareness on olive oil quality, providing few incentives for collective action.</p> <p>I: The table olive industry is dominated by a few large companies and thus difficult for cooperatives to enter.</p> <p>I: There is a lack of standardized quality labelling, traceability systems and consumer awareness on oil quality; addressing these issues could facilitate market access and create incentives for cooperative development in the sector.</p>
Argan	<p>I: Argan oil is seeing an increasing international demand and Morocco is one of the few places in the world that can produce its raw material so there is a general incentive for investment for all type of players.</p> <p>I: Cooperatives and GIEs have received substantial support from NGOs and donors; they were the first players to enter the industry and subsist partially due to existing support.</p> <p>S: There is strong competition from large players with significant innovation and investment capacity and cooperatives risk losing virtually all their market share; cooperatives' sustainability (and growth) depends on external assistance to tackle these issues.</p>
Fruit tree crops (including dates)	<p>I: Morocco has favourable geographical conditions to produce high-value tree crops for the domestic and the European markets and there is a general incentive for investment for all types of players.</p> <p>I: Generally, yields are still low, there is no homogeneity in varieties or grades, plantations are of small size and low density, and farmers lack knowledge of best agricultural practices, all of which hinders collective storage and commercialization.</p> <p>I: Quality standards and regulation need improvement and enforcement, and wholesale markets are not equipped for modern trade (e.g. do not ensure grade separation, refrigeration, traceability) and there are few incentives to tackle the issue.</p>
Red meat	<p>I: Informal markets can be more rewarding than the formal/regulated sector in terms of price for those dealing with small quantities of animals since: (i) slaughterhouses may not offer better prices; (ii) slaughterhouses may impose conditions that are difficult to attain by unorganized small herders; and (iii) there is often no actual penalty for informal animal sales; the premium on informality reduces incentives for working through cooperatives or other forms of collective action.</p> <p>I: High production costs (mostly associated with feed) complicate the development of short and competitive supply chains through formal channels. However, in the last six years, new private companies started offering complete traceability for their red meat products (e.g. Bio Beef and Best Viandes) and so a new market segment may offer an incentive for collective action.</p>
Honey	<p>I: Beekeeping is generally a part-time occupation and not a major source of revenue for most households; it is not professionalized and represents a small share of income so honey may not provide enough benefits to offset the opportunity costs of collective action (participation in meetings, management, etc.)</p> <p>I: Production is mostly sold locally through informal channels without any type of certification; there is little incentive to cooperate for quality improvement and commercialization.</p>

Source: Authors' elaboration from communications with representatives from ANCA, ANOC, COPAG, FEDAM, FIMAP, FIVIAR, M'Brouka, and UNCAM.

Current trends in value chain development support

Some of the challenges described above were identified during the formulation of the PMV and the programmes associated with the PMV seek to provide possible solutions. This has led to heavy public and private investment and also important achievements in terms of overall modernization of the agrifood sector production base. Challenges remain, however, and to better address them the Government of Morocco has gradually shifted priorities in the PMV towards agroprocessing, value addition and commercialization.

Since approximately 2011, public support has focused on the creation and strengthening of interprofessional organizations, which can identify, discuss, present and develop solutions for the subsector in which they specialize. Agencies such as ONSSA (created in 2010) or EACCE (with a new mission since 2013) have been tasked to build on past work and push for improved quality and food safety standards, as well as mechanisms to enforce them. The recently created ONCA has been tasked with addressing the still insufficient knowledge base of most farmers and agroprocessors. Additionally, strong investments have been made in the modernization of irrigation perimeters⁷⁸ and dissemination of drip irrigation technology so as to increase water productivity in the country.

Some interprofessions are starting to develop initiatives with strong impact potential, but still at a small pilot scale. For example, Interprolive is working on the development of a voluntary traceability and quality certification scheme and corresponding consumer awareness campaign for olive oil. Interprofessions are also increasingly called to play a role in technical assistance and capacity development of actors along their respective value chains. This work is coordinated with ONCA and also with the decentralized structures of the MAPM. National food quality standards and verification procedures have been designed and/or improved by ONSSA and the modernization of irrigation perimeters has resulted in greater water efficiency, albeit not necessarily in water sustainability in the whole country. Nevertheless, animal and vegetable product traceability and quality assurance remains an issue in many value chains, reducing the incentive for collective action aimed at reaching formal markets.

⁷⁸ From 2008 to 2013, annual investments by the PNEEI grew from MAD 614 million (USD 61 million) to MAD 1.69 billion (USD 169 million) (Güneydoğu Anadolu Projesi,, 2014)

Key figures

18 interprofessional organizations with signed *contrats-programme* with the government but still with limited financial and human resources capacities.

Around USD 4 billion in public investment committed to priority value chains up to 2020.

2 food quality assurance institutions with a key role in enabling changes in agricultural product characteristics and market channels

Increase of over USD 100 million in annual spending from 2008 to 2013 for the implementation of the National Water Saving and Valorization Programme (PNEEI).

4.5 Opportunities for high impact investments in cooperatives

Generally, opportunities to address the key issues identified above can be grouped into four main groups: (i) improve access to information on cooperatives and develop the knowledge base; (ii) promote *de facto* cooperatives with feasible business models; (iii) invest in the development of services to cooperatives; and (iv) improve coordination among support institutions.

Improve access to information on cooperatives and develop the knowledge base

Decision-making and interinstitutional coordination benefit from improved statistics and information availability. The new registry of cooperatives will bring improvements in this area but there is an opportunity to develop a Web-based system with updated information on cooperatives to be fed not only through the registry, but also through annual brief data collection exercises (for example, a small survey of cooperatives based on the diagnostic described in *Box 11*).

Regular diagnostics/surveys should serve as a basis for the design, improvement and targeting of support services according to the identified needs.

Strengthened collaboration between ODCO, MAPM and cooperative institutions, as well as international organizations, could enable the construction of more complete sets of information that would cater to a broader audience at more efficient cost. Gradually, data collection services should start to be performed by unions and federations in order to induce ownership and better knowledge of the data by the cooperative sector.

In addition to generic cooperative issues, the level of incentives for collective action in each subsector needs to be well known and debated.

Studies and applied research, as well as policy dialogue initiatives that look at practical solutions for issues that influence the appeal of collective action in each subsector should be supported. Such studies and dialogue activities could focus on issues such as application of quality control and standards (product differentiation), consumer awareness (capacity to differentiate quality) or water

resources management (sustainability of key subsectors, such as dairy or citrus). Depending on the set priorities, applied research investments can range from adapting foreign, well-tested quality and traceability systems to developing sophisticated cosmetics from local raw materials.

The findings of studies, research and policy dialogue (and possible policy and technical solutions) should be systematized and promoted in education and training institutions and translated into new policies.

Although not an issue specific to cooperatives, the legal and regulatory environment of each subsector can enable or deter efforts for strengthened collective action.

Options forward

Develop an online tool for the publication of aggregate results on performance of cooperatives from the information generated by the new registry; data can be used to produce performance indicators for cooperatives.

Design and run periodic surveys/diagnostics for a sample of cooperatives whose registry data suggests growth potential.

Develop a system in which data collection services can be performed by cooperative unions and federations and gradually build capacities in these institutions to perform this task.

Select an initially small number of promising subsectors for which to conduct studies identifying key barriers to collective action and possible specific solutions and use them a basis for a multistakeholder dialogue on policy priorities for the subsector.

Identify key research themes in specific value chains (for example, quality labels and product innovation) and support in-country institutions⁷⁹ in the development of concrete solutions.

Continuously adjust the policy framework (and the respective implementation and enforcement mechanisms).

Promote *de facto* cooperatives – cooperatives with feasible business models

Improved targeting of cooperatives to be supported can increase the efficiency of used funds. This means that support for the creation and development of cooperatives should neither be associated with subsector growth policies nor geared towards social assistance objectives. Instead, investment in support to cooperatives should focus on the maturity of cooperatives' networks in the country and consequently the sustainability and capacity of the existing cooperatives to grow by themselves. Hence, this support should mostly consist

⁷⁹ Not necessarily research institutions. For example, the development of quality certification and traceability systems can be under the aegis of interprofessional associations. Medium/large cooperatives can also be assisted in development of new processes and products, through innovation funds and partnerships with companies or international cooperatives (e.g. foreign cooperatives interested in sourcing a product from a Moroccan counterpart, who assist in the achievement of the required quality standards, production calendar, etc.).

of demand-based services rather than goods: e.g. legal, technical, organizational and management advice for setting up and operating cooperatives (see *Box 10* and *Box 11* for examples of targeting and diagnostic tools and how they can help define the support to be given to cooperatives). In addition, demand-based services can rely on some degree of subsidization, given that: (a) there seem to be positive externalities for rural communities from increasing the capacity of cooperatives and developing such institutions; and (b) service providers may require initial support to achieve economies of scale and be sustainable (the so-called “infant industry argument”).

As discussed, it is recommended that support to cooperatives be delinked from subsector growth policies and pure social assistance; setting targets in terms of numbers of cooperatives to be created in a sector, as in many other institution-building attempts, can lead to permanently flawed organizations which will require constant support and subsidization. However, **there is a good case for awareness and advocacy initiatives to promote cooperative and other collective action models.** For example, there is room for ODCO and other government institutions to partner with donors and interprofessions to communicate on cooperative success cases and the specificities of agricultural cooperatives. Moreover, there is an opportunity to step up efforts in terms of advice to potential new cooperative or GIE members on the advantages and disadvantages of different legal forms for their organizations and also on best practices in terms of statutes, etc. Standardized tools and trainings, such as “My.Coop – Managing Your Agricultural Cooperative” hosted by the international Training Centre of the ILO, can assist in identifying basic information to provide to cooperatives’ managers on cooperative management and service provision (particularly input supply and marketing) and this information can be adapted to the national context and target audience.

Box 10: Setting up matching grants schemes

The primary advantage of matching grants, which are one-off contributions, usually to a group of individuals, is that they allow for relatively quick results. However, precisely because they are one-off contributions, they are not a sustainable solution for enterprise financing. They may be strategically used in selected cases to kick-start local economic development, but they should be used in combination with a strategy to access financial services. Hence, such grants should be market-smart – meaning they should be targeted, with clear selection and eligibility criteria, time-bound, capped and transparent, and they should invigorate rather than undermine existing service delivery channels. They should also be designed in a way that makes grant recipients more “bankable” and links them with financial institutions (adapted from a stock-taking exercise on matching grants, by Hollinger and Marx, 2012).

Source: Hollinger and Marx, 2012.

The work of ODCO sets up the first steps towards improved targeting of investment in cooperatives. The new registry of cooperatives contains, *inter*

alia, information on financial management and performance of cooperatives and can be adjusted to serve as a pre-diagnostic tool to target the cooperatives with the most potential for development. Additionally, the diagnostic of cooperatives undertaken through the Mourafaka programme may, in the near future (after it incorporates the lessons learned from its first application), constitute a useful tool to identify cooperatives without well-structured business plans and with organizational and management deficiencies, but which given the right support can engender viable business plans.

Box 11: Targeting of grants for cooperative development

As indicated in *Box 9*, banks and agencies specializing in cooperatives have developed methodologies for targeting those with potential for growth given improved governance and manager skills. In most cases the targeting system has two phases: Phase 1 - a scoping questionnaire or pre-diagnostic to identify the level of activity, existing assets and labour; and Phase 2 - a more comprehensive diagnostic to elaborate a cooperative development plan for cooperatives that show willingness and potential for growth.

The pre-diagnostic is typically a half-day exercise that looks at governance and membership structure, number of employees, quantities of marketed products and services, infrastructure capacity, volume of sales per accessed markets, fiscal status, and access to technical assistance and credit. The comprehensive diagnostic in Phase 2 provides a larger set of indicators. Its results can be summarized to produce a graphical depiction of the main priorities for interventions in each cooperative, as exemplified below.

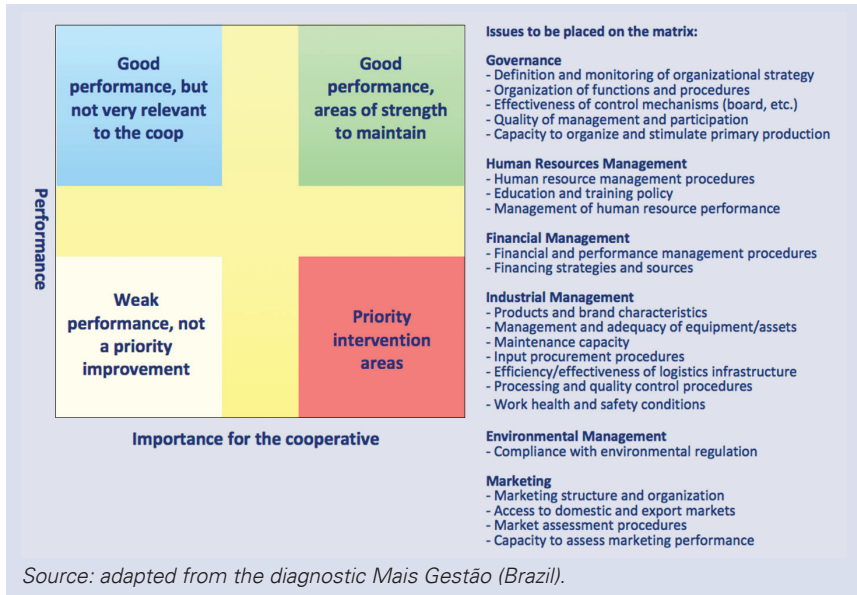
Such a matrix makes it possible to categorize results not only by performance, but also in terms of relative importance for each cooperative (or for the subsector in which it operates), thus making it a simple and effective tool to assign priorities to capacity development activities.*

Tools as such as this are often meant to be used in cooperatives with a certain degree of maturity. If they are to be applied in newly created cooperatives, they should be adapted to be mostly exploratory regarding whether there is an enabling environment (in terms of governance, willingness to acquire skills, promising market, etc.) for development of each of the assessed areas.

In many cases, the application of such targeting tools means excluding chronically poor and destitute groups from developing cooperatives. However, in many cases these population groups are better served [in the short and medium term] by productive safety nets or other permanent cash transfer or social protection systems (Hollinger and Marx, 2012).

**Note: Through PCM Consulting ODCO has piloted a similar approach in Morocco for the 438 cooperatives it is currently supporting, with the aim to generate information for the establishment of five-year business plans.*

Source: Hollinger and Marx (2012) and authors' personal communications with ODCO, PCM, Agriterria and Brazilian extension staff.



The feasibility and sustainability of *de facto* cooperatives may depend on long-term investment in innovation. This in turn requires adaptive financial services and products. While GCAM has provided constant and committed support to Morocco’s agrifood sector, there are few other actors providing financial services to the sector and there may be scope to increase the offer of financial products. International banks committed to cooperatives development, such as Rabobank, provide support for the development of locally adapted financial products and training of financial institution staff. Morocco could attract donor pilot projects to invest in innovation in finance and capacity development of credit institutions. Morocco could keep developing and testing new financial products for specific cases. For instance, argan cooperatives require strong investment in technology improvement and product development if they are to integrate vertically and participate in the very competitive cosmetics market. One of the GCAM subsidiaries, HOLDAGRO, provides large agrifood companies with investment capital, coaching and consultancy. It also participates in international investments in Morocco. A HOLDAGRO equivalent for medium-sized enterprises – i.e. a Tamwil El Fellah for equity – could be an important instrument to enable innovation within some cooperatives, provided that related legal constraints in cooperative decision-making and capital structure are resolved.

Options forward

Provide access to information from the registry on cooperatives (pre-diagnostic) to institutions that support cooperative development in order to facilitate targeting.⁸⁰

Take stock of the experience from use of the diagnostic tool from Mourafaka (including an external review by national and international experts with experience in using such tools with financing institutions – see Box 9 example) and generate a standardized tool for the planning of investment in cooperatives in Morocco.

Take stock of existing tools on cooperative management and governance to develop informative awareness and advocacy initiatives on cooperative and other collection action models (e.g. GIEs, firms).

Invest in the development of services to cooperatives

Attending to all the demand for technical assistance in a complete and effective manner can only be done with the engagement of the private sector. Given the specificities of the market for technical assistance in agriculture, private technical assistance providers do not naturally emerge throughout the country. There is also a need for service providers to be technically knowledgeable in the context of Morocco's increasingly sophisticated agrifood chains. Private technical service providers who have reached maturity can be better equipped to: (i) learn from their clients (in the case of cooperatives' associations, from the members); (ii) tailor their services according to specific demands; and (iii) continuously provide services, regardless of government funding availability (if cooperatives have grown sufficiently). Two complementary options can be envisaged to develop such a market: (i) a subsidized system to facilitate the use of private service providers – for example, through ONCA;⁸¹ and (ii) the establishment of technical services in cooperatives, unions and federations (see *Box 12* and *Box 13* for examples).

ONCA and the MAPM have increasingly indicated that there must be a growing role for the private sector, including consultancy firms, associations, service cooperatives, etc., in the provision of technical services. Since many cooperatives would not be able to start immediately paying for services fully and service providers would also need to reach some scale, **there may be room for a matching grants or voucher system with some degree of conditionality to enable cooperatives meeting specific conditions to select service providers for technical and managerial/organizational support** (see, for an example, *Box 12*). The details of such a system would need to be

⁸⁰ Note: this will require a mechanism to ensure consent from cooperatives as well as the privacy of sensitive data.

⁸¹ The establishment of private technical assistance practices may require rendering the current law (no. 62-12) more flexible; the academic background and fields of activity of authorized technicians currently gear the support mostly towards primary production. Moroccan producers and their cooperatives should be able to access advice on, for example, financial management and crop insurance or industrial processes.

carefully designed to avoid bad practices and might include a pilot phase of implementation with a rigorous impact evaluation.

The transfer of some support services currently implemented directly by public institutions to cooperative unions and federations could attract skilled managers and technicians to their ranks. Unions could be increasingly seen as having a useful role in supporting cooperatives and their staffs and this in turn would push them to increase their service portfolio. Strengthened unions should have a stronger and more independent voice in the respective interprofessional organizations, where all actors (individual, companies and cooperatives) are now jointly represented by the regional association of the profession to which they belong. In the longer term, cooperatives and their unions could also act as brokers for financial services (credit and insurance). This would reduce transaction costs for financial institutions and provide cooperatives with both a source of revenue and increased capacity to attract skilled managers and staff.

In this effort, **more mature institutions should be identified and attracted to play a more prominent role in developing technical assistance services for (and from) cooperatives** in Morocco. At the national level there are already a few actors from whom to take stock. At the international level, there are technical assistance agencies that specialize in the development of cooperatives and banks with wide experience in working with agricultural cooperatives. These include, for example, Rabo International Advisory Services, Agriterra and *Coopératives et Mutuelles Canada*. Experiences of policies in other countries can also serve as inspiration (see *Box 13* and *Box 6*). Finally, large cooperatives from abroad can engage in joint ventures (e.g. for product export) with national cooperatives or simply provide technical assistance services, either way enabling peer-to-peer learning and exchanges of experience. Maisadour, already installed in Morocco, is one such example. It is important that such experiences are capitalized at the institutional level and therefore it is recommended that experiences in learning and technical assistance be used for improving sector policies – for example, through discussions at inter-institutional working group level (see next section).

The feasibility of establishing an effective network of technical services in the country depends on a large enough critical mass of technicians with specific skills, knowledge and experience. It is important to develop hands-on courses in agricultural schools and institutes that specialize in addressing the key issues in each subsector as well as the specialties within the profession of agricultural technical advisor.⁸² Specific training of trainers programmes on agribusiness planning and management for cooperatives, with

⁸² For example, currently in Morocco the olive oil subsector has identified a number of subsector-specific practices for which general knowledge in the country could still be improved and/or mainstreamed and adoption incentivized, such as olive tree pruning, olive harvesting and transport, and olive oil storage and blending.

particular emphasis on financial aspects, could also help create a critical mass of technicians capable of assisting cooperatives in accessing credit. Some of these trainings could have an international component with cooperative partners abroad. Different programmes could target farmers and cooperative managers as well as young graduates aiming to provide technical services in the agricultural sector. These programmes could be at least partially funded by cooperatives through establishment of a training fund.⁸³ Finally, in order to attract and retain skilled leaders, the law on cooperatives could be amended to allow the remuneration of cooperative directors who perform managerial tasks.

Box 12: Development of private technical assistance services within the cooperative sector

Some countries have witnessed the emergence of private associative organizations that provide technical support to agribusinesses, including cooperatives. Others have chosen to move gradually from a technical assistance system essentially provided by the public sector to supporting the development of private technical assistance providers.

In France, during the 1950s evolution in animal rearing practices, it was necessary to estimate financial returns for alternative livestock production systems. In this context, Management and Rural Economy Centres started to be created to promote and disseminate the practice of management accounting. In some regions these centres would also support other professions such as artisans and traders. These centres later formed a network which exists today as CERFRANCE. This network currently serves about 320 000 enterprises from different sectors, focusing on advice and legal services on subjects such as wealth management, management and fiscal accounting and human resources management. In Morocco, some similar initiatives are starting to appear, but they are still at a small scale and not completely independent from public financing. One such example is Agrotech SMD (*Association Agrotechnologies du Souss Massa Drâa*), a cluster of firms and training and research institutions cooperating and/or competing in the agriculture and agrifood sector in the region of Souss-Massa-Drâa to assist companies in research and/or development of food biotechnologies and to advise them on the establishment of agrifood industry units (Agrotech website).

⁸³ For example, in Italy a contribution of 0.3 percent of the account payable for each enterprise could be levied for a continuing training fund. At national level the most representative organizations of employers and workers must conclude an interconfederal agreement which sets the objectives of the fund and establishes its rules and regulations (European Foundation for the Improvement of Living and Working Conditions, 2002).

Other countries/regions, rather than seeing a natural formation of such networks of private service providers, benefited from public interventions such as the Common Agricultural Policy to induce the creation and maturation of private technical assistance services. For example, some subsidies in European Union (EU) countries require compliance with a number of given technical specifications in the practices/technologies for which they want to promote change (e.g. direct seeding or integrated pest management). In order to ensure compliance, farmers need to hire technical assistance from an accredited technician in the specific practice/technology that is being subsidized. Many associations/cooperatives decided to provide these specialized technical assistance services by hiring a pool of accredited technicians. The payment for these services is generally made by retaining a share of the subsidies received by the farmers they serve with technical assistance. This mechanism enables a progressive shift to the sustainable provision of private technical assistance services to a wide number of members because:

- Non-performing technicians – those who do not effectively assist farmers in obtaining subsidies – are not kept, and technicians that provide additional value to the association/cooperative are preferred.
- Technicians/cooperatives are motivated to provide technical services beyond those that are subsidized (for example, accountancy services are common; some may also act as crop insurance brokers) and to capture additional funds for the cooperative to ensure sustainability of the existing jobs.
- Cooperatives gain access to technical knowledge, as many technicians bring experience beyond that of their specific accreditation; some members who are also accredited technicians and who take up paid jobs in the cooperative/association, may gradually assume managerial positions.
- In order to retain a share of subsidies from a larger number of members, associations/cooperatives are incentivized to incorporate more members (often diversifying farm sizes and social and educational backgrounds).
- As cooperatives increase their revenue and improve their human resource base, they become more able to access credit and begin diversifying their services.
- Subsidized technical assistance aimed at complying with subsidy specifications can also be used to induce members to improve quality beyond the subsidy specifications, providing cooperatives with the potential to increase the quality of the raw material they source from their members at no or low cost.
- As cooperatives develop, they start demanding and contributing to better services from their unions and federations, which will benefit both large and efficient cooperatives (e.g. through representation at policy dialogue) and smaller and less sophisticated ones (e.g. through the provision of legal services).

For systems such as this to be effective, it is important that public institutions do not compete with newly created private services suppliers. Instead, public institutions should focus on creating the conditions for these services to thrive (e.g. by designing and running accreditation and vocational training programmes for technicians, developing manuals and advocacy material, or acting as information centres on public policies).

Source: Authors' elaboration with information from CERFRANCE and Fédération du Commerce Coopératif et Associé.

Box 13: Direct technical assistance to cooperatives leveraging international expertise

Specific interventions can be targeted to assist promising cooperatives (and their partners) in the development and financing of business plans. One example of such interventions is the work of two Dutch development partners, Agriterra and Rabobank, with the Cooperative Bank of Oromya (CBO) in Ethiopia. In 2013, CBO, Rabo Development and Agriterra, within the framework of the *Cooperatives for Change* programme, set up a business planning and coaching programme for cooperative managers.

Rabobank-Development trained CBO trainers who in turn trained cooperative and union managers in Ethiopia. The trainings focused on how to develop bankable business plans. Managers, advised by Agriterra during formulation, submitted their business plans to a panel of CBO, Rabo-Development and Agriterra staff and received specific feedback which they could use to improve their plans before a second submission.

This training and advice given by bankers provided managers with an understanding of how financing institutions assess business plans and thus what crucial elements are required in order to design a bankable investment. In this pilot intervention from eight elaborated business plans, three were financed for a total of around 600 000 euros.

Source: Authors' and Agriterra elaboration.

Options forward

Pilot the provision of a complete set of technical assistance services to a small number of cooperatives with similar characteristics to use as input for the design of larger regional and national programmes.

Design incentive systems for the development of private technical assistance services (both to farmers and cooperatives). Such subsidy-based, voucher-based, matching grants and other funding schemes should incorporate the training of accredited technicians in key subjects (a reduced number of specific value chains could be targeted in a first experimental phase) and include an exit strategy (i.e. generate sustainable services in the medium to long run).

Develop capacity building activities around key training themes, in collaboration with existing collective action institutions (interprofessions, associations, federations and unions) (see *Box 12* for an example).

Simplify institutional arrangements and promote participation of cooperatives in policy development

The government plays a role in supporting the social economy sector but the functions of the main stakeholders, within and outside the government, could still be better defined. As described in Chapter 2, a multitude of agencies exist, with common and complementary goals and interventions regarding the development of cooperatives. Implementation of the suggestions and recommendations of this study requires improved alignment in the definition of strategies and lines of action so as to produce a comprehensive

and more coherent framework for the support of cooperatives. The idea of a “one-stop shop” can be very important for farmers in many instances, such as when seeking advice on what kind of collective action organization to form, looking for information on possible support mechanisms, or registering a cooperative or trying to identify service providers and capacity building options to help it grow. The Moroccan experience with the “*guichet unique*” of the FDA suggests that there are advantages to simplifying interactions with beneficiaries of public support and such a model can, to some extent, be used as inspiration for the cooperative sector.

An initial endeavor in this regard could be the formation of a coordination working group composed of representatives of the various key institutions and cooperative organizations. Such a working group could serve as a forum for the development of policies and programmes pertaining to the social economy in agriculture, but should initially focus on piloting initiatives that support a limited number of cooperatives which would later be upscaled regionally, nationally or by subsector.

Options forward

Establish a working group of institutions, including cooperative representatives, to regularly discuss the objectives and coherence of policies and interventions that pertain to cooperatives in the agriculture sector. One of the initial functions of such a group would be to design a pilot intervention in support of cooperatives such as that described in the next subsection.

4.6 Preliminary framework for action

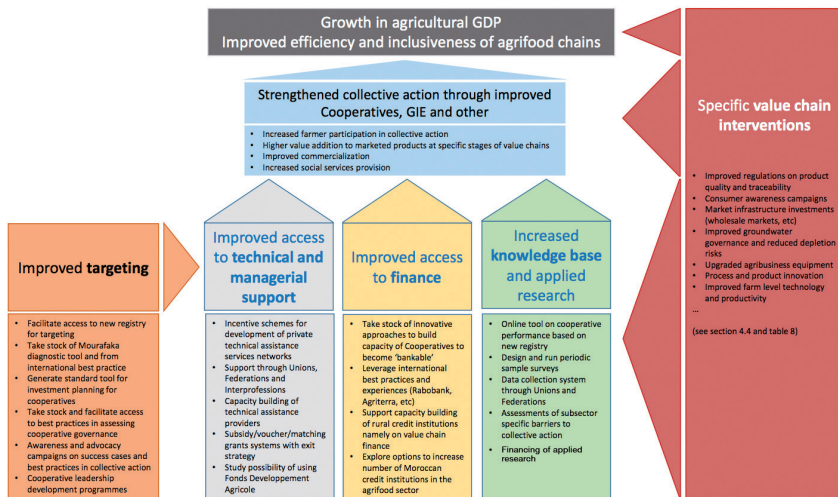
The previous sections have indicated some of the key challenges and opportunities going forward for supporting Morocco’s cooperative sector. The current study and discussions that have accompanied its implementation have resulted in an attempt to provide a medium to long-term framework to support collective action in the country. The logic behind public intervention is that cooperatives provide benefits in terms of social services and cohesion in addition to being one of the means for addressing the lack of critical mass of many farming enterprises in Morocco at present.

Figure 8 summarizes the key preliminary ideas in an action framework to support the sector. First, the framework includes structural interventions, “Specific value chain interventions,” which often constitute preconditions for any form of collective action to work. As indicated in previous sections of the study, removing market distortions and improving basic infrastructure in specific agrifood value chains may be required to create incentives for developing sustainable cooperatives. A second important feature (on the left of Figure 8) is improved targeting and a more efficient approach towards stimulating cooperative creation. While it is clear that collective action brings benefits, it cannot be pushed at any cost because the result (functioning

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and sustainability of cooperatives) and ultimately the impact (improved commercialization, reduction in operating costs, etc.) are usually extremely poor. The approach recommended by this study, based on international best practices and discussions held with key Moroccan stakeholders, is that of focusing on cooperatives that have some potential, based on simple screening mechanisms. Some of these mechanisms already exist internationally and have also been attempted locally; they can be fine-tuned to help select cooperatives that should be eligible for technical and other forms of support.

Figure 8 – Preliminary ideas for an action framework for support to the Moroccan agrifood cooperative sector



Source: Authors' elaboration.

As well as using the new registry and other diagnostic tools for improved targeting, it is also recommended to support cooperative leadership programmes in order to help develop capacities of new talent. Cooperatives usually need good leaders, who are able to forge consensus and provide vision to the institution, and there is great scope to intervene through international networks, exposure to international and national champions, etc. Another related recommendation is to promote awareness of national best practices at the local level and of Moroccan success cases. This is already happening to some extent but could receive greater support.

The three key areas of intervention for cooperatives are summarized at the centre of Figure 8 and consist of: (i) supporting capacity development

(technical and managerial); (ii) improving access to finance; and (iii) increasing the knowledge base. The first two include a combination of: (a) leveraging international best practices; (b) promoting more private sector service provider networks, including through the interprofessions as well as unions and federations; (c) switching from direct public services in support of cooperatives to demand-driven services where public support is directly given to the ultimate beneficiaries (cooperatives); and (d) increasing competition and markets for finance and technical service provision. The third area focuses on knowledge creation for improved action in support to cooperatives. It seeks to address the lack of readily available information on the sector and includes subsector-specific studies, sample surveys on cooperatives and their performance and support to other data collection efforts.

While there are many possible actions to help the sector maximize its contribution to Morocco's agriculture and rural development process, the discussions held with key stakeholders individually and at workshops in Morocco have suggested an adaptive process consisting of reform-based, improved coordination of different key institutions, concrete pilot initiatives and focus on a reduced number of value chains. The proposed approach for the short term is to establish a working group on cooperatives development that provides advice to policy-makers on approaches that may work in support to cooperatives so that these may be scaled up. The working group would consist of cooperative representatives, ODCO, key ministries, selected interprofessions, financial institutions (GCAM, other commercial banks), international financing institutions and other key agencies. The working group would be involved in a few pilot projects in support of cooperatives, based on the following: (i) selection of a few value chains based on their specific challenges per subsector; (ii) preliminary diagnostics to select cooperatives with development potential; (iii) brief studies on key constraints and capacity development needs; (iv) provision of a complete set of technical assistance services to a small number of cooperatives using existing organizations (for example, cooperatives, interprofessions, ONCA); and (v) establishment of linkages to financial institutions. The working group could also work on specific pilot projects regarding access to finance with commercial banks in Morocco. The lessons learned from such pilots and other available information (such as in the cooperatives registry) would be used for planning larger sector programmes in support of cooperatives.



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||||| Annex 1 – Summary comparative
analysis of the main non-investor-centred
legal forms of organization in Morocco

	Associations ¹	Primary cooperatives ²	Cooperative unions ²	Groupements d'intérêt économique ³
Legal personality	Registration of an association contract by the government. Their legal capacity to act is limited by their objective/purpose.	Registration by the government. Their legal capacity to act is limited by their objective/purpose. This limitation is only effective internally. For third parties, any limitation is effective only if that third party knew of or could have known of the limitation.	Cooperative unions ²	Registration by the government. Depending on the type of activity, the entity will be recognized as a civil society or as a commercial society.
Objective/purpose/activities:	Pursuit of the interests of the members and/or third parties and/or the public in general. In exceptional cases, interests are pursued through economic activities. Members must participate actively in the activities.	Satisfaction of the economic and social needs of the members. Members satisfy their needs by transacting with the cooperative.	Union must have the same or similar and complementary objectives/ purposes as the primary cooperatives.	Auxiliary to members' activities; i.e. to support and develop the economic activities of the members.
General assembly	General assembly is the highest decision-making organ. Members have equal voting rights. Open to legal and natural persons.	The general assembly decides on the admission of new members. Membership is composed of natural and/or legal persons. General assembly is the highest decision-making organ. Members have equal voting rights.	<i>Mutatis mutandis</i> the same as primary cooperatives, but voting rights may be attributed in proportion to the volume of business with the union. Open to legal and natural persons.	Governance structure to be decided freely by the members, regulated by contract law. The contract must be in writing and deposited with the locally competent first-instance court. Only open to legal persons as members. Law to be amended to also allow membership for natural persons

	Associations ¹	Primary cooperatives ²	Cooperative unions ²	Groupements d'intérêt économique ³
Nature and structure of capital	No (minimum) capital requirement but may have a statutory capital. Financing mainly through statutory obligation to pay (annual) fees. No distribution of profit among the members. Distribution of remainder after liquidation according to statutes of the association.	Requirement of a minimum (member) share capital. All shares are of equal value (contributions may be in kind). Statutes may determine the number of shares to be purchased by each member in proportion to turnover and/or importance of business operations. Number of shares does not affect the voting rights in the case of cooperatives – it may for unions. Mandatory constitution of an indivisible reserve out of the surplus. Distribution of parts of the surplus – which include profits on non-member business – in proportion to the transactions per member (patronage refunds).		To be freely decided by the members.
Liability	Joint and several personal liability of the members for the debts of the association.	Member liability limited to shares. Possibility to establish statutory liability which must not, however, exceed five times the amount of the shares. Remainder after liquidation devolves to union or federation of which the cooperative was a member (cooperatives can be turned into societies, which can be liquidated – it is not clear what happens to their capital in those cases).		Unlimited joint and several liability of the members for the debts of the GIE. The members are liable in proportion to their shares, unless agreed upon otherwise.
Taxation	Regular corporate income tax.	No specific tax treatment except for cooperatives with a turnover under MAD 10 million for two consecutive years and no more than 30 percent of transactions from non-members. These are exempted from income taxation.		Regular corporate income tax.
External control	None, except when given special status as general interest associations.	Apart from legal control, none; i.e. no cooperative specific internal or external audit.		None by law

1 - Regulated by the law no. 1-58-376 on the right to associate from 15 November 1958, and amended in 2002.

2 - Regulated by the law no. 112-12 on cooperatives.

3 - Regulated by the law no. 13-97 on economic interest groups.

Source: Authors' summary from the above legal documents.

Annex 2 – Summary description of main policy instruments

This annex presents a series of briefs on the main government investment initiatives that directly or indirectly support the development of agricultural cooperatives in Morocco. Although not an exhaustive account of all the initiatives that may influence the development of agricultural cooperatives, the selected interventions are illustrative of the current efforts of the government to support a stronger social economy and a more competitive agriculture sector. The first three briefs concern policy guidelines and strategies, whereas those following describe government investment initiatives and mechanisms.

1 Overall strategies

1.1 The Social Economy National Strategy (2010-2020)

The Social Economy National Strategy (2010-2020) aims to increase the role of the social economy in the country's economy, services provision and job creation. It was formulated against international benchmarks for the cooperative sector to position the country in line with best practices to support cooperatives development in terms of institutional policies, research policies, financing (public and private) and service provision. It is also aligned with and responds to sector policies that envision the development of small producers, such as the PMV Pillar II. To achieve these objectives, the strategy is structured around seven strategic areas:

- (i) Enhance and promote the products of the social economy (packaging, labelling and innovation);
- (ii) Market social economy products (showcasing, e-commerce platforms, shops, export promotions and promotion alongside supermarkets and tourism companies);
- (iii) Strengthen and organize the social economy players (support formulation and financing of cooperatives' business plans, establish technical assistance kits, make available standard commercial partnership establishment mechanisms, support the development of professional organizations, unions and networks);
- (iv) Establish an enabling environment for development of the social economy (revise existing legal framework including cooperatives law, establish a cooperative database, revise ODCO mission and strengthen its human and financial resources and governance);
- (v) Encourage the emergence of social economy initiatives in the region;

- (vi) Facilitate the access of players in the social economy to social security;
- (vii) Develop monitoring and assessment communication and partnership (GIS of social economy), statistical information and research.

1.2 *Plan Maroc Vert (PMV)*

The PMV was launched in 2008 and set targets for 2020 based on seven principles: i) making agriculture the main engine of growth in the country; ii) structuring value chains so as to aggregate production from small producers; iii) developing the sector as a whole without exclusion [of farmers or farming systems]; iv) promoting private investment; v) fostering partnerships between different types of actors; vi) improving sector sustainability (including the conversion of 1 million hectares of cereal land to fruit crops); and vii) providing the sector with a stronger enabling environment (e.g. incentivizing partnerships along the value chains, improving land administration, strengthening mechanisms to enhance water management, adapting fiscal policies, modernizing agricultural distribution systems).

Realization of the objectives underpinned by principle (iii) resulted in the division of the PMV into two main pillars: one dedicated to interventions on the most productive arable land (20% of total used agricultural area) and another dedicated to less productive or remote areas (80% of total used agricultural area).

PMV - Pillar I

Objective: Development of a modern, high-productivity/high-value-added agricultural sector capable of meeting market demand and based on private investment.

Structure of the Intervention: Agricultural Development Fund (FDA) provides financial aid to selected private investment projects.

Target Beneficiaries: Private investors or a group of private investors in irrigated and favoured rainfed areas.

Implementation Mechanisms: Financial aid provided through FDA to incentivize private investment (main FDA intervention areas are described in the next section).

Budget: MAD 75 billion for a total of 961 projects (562 000 farmers/entrepreneurs).

PMV - Pillar II

Objective: Development of local value chains to improve farmer incomes.

Structure of the Intervention: Interventions are classified in three main categories: i) conversion of current cereal-based production to high-value crops; ii) intensification by enhancing/building on positive experiences in the livestock value chains and adding value to local production; and iii) diversification of production aiming at promoting *produits du terroir* (saffron, honey, medicinal

plants, etc.) The beneficiaries will be organized into cooperatives or associations and interventions should build on the social fabric of operators (cooperatives, associations, economic interest groups, professional associations, NGOs). Private companies can also participate as *agrégators*. Pillar II interventions must be undertaken in line with regional agricultural plans.

Target Beneficiaries: Farmers in less-favoured areas (rainfed or irrigated mountain and oasis areas) organized in groups (cooperatives, associations, etc.)

Implementation Mechanisms: 70 to 80 percent of the investment is to be borne by national and international donors and implemented through different programmes/projects, while the remainder will largely be borne by FDA. The section on support programmes provides examples of programmes that contribute to the targets of the Pillar II of the PMV.

Budget: Total of MAD 20 billion, aiming at 855 000 beneficiaries.

Contrats programme

In 2012 the law on professional organizations paved the way for the formulation and recent (2015) signature of *contrats programme* for 19 value chains⁸⁴ between the government and the respective professional organizations. The establishment of the *contrats programme* has significantly expanded the potential scope of cooperative development in agriculture. The *contrats-programme* have shaped the restructuring of FDA and provided new objectives for the *Agence Nationale pour le Développement des Zones Oasiennes et l'Arganier* (ANDZOA) in 2016.

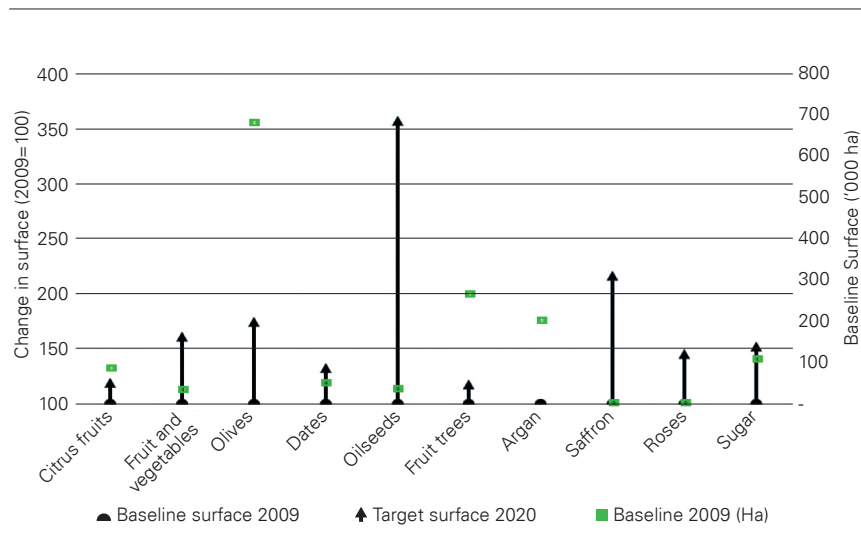
The *contrats-programme* set a number of ambitious targets (see Figure 9 and Figure 10) for key value chains to be achieved by 2020 in terms of hectare expansion, production, exports and investments.⁸⁵ For example, between 2009 and 2020, the surface area for organic production is expected to increase 900 percent, from 4 000 to 40 000 hectares (ha), bringing organic production to 400 000 tonnes, while hectares devoted to oilseed production are set to increase over 250 percent. In terms of production and export targets, olive production is aimed to expand nearly 260 percent, and citrus and honey production are set to increase 123 percent and 360 percent, respectively, while exports from fruit trees are projected to rise by 400 percent and exports of other fruits and vegetables by 127 percent. Finally, the olive sector has been specifically earmarked for an investment of MAD 29.5 billion between 2009 and 2020 and fruit and vegetable (field crops) production is targeted to receive MAD 21 billion. Red meat, poultry meat and eggs and milk production are also supported, as well as niche products such as dates, saffron, argan and rose

⁸⁴ Olives, fruits and vegetables, citrus, seeds, dates, fruit crop trees, argan, saffron, perfume, oilseed crops, rice, sugar, cereals, organic production, dairy, red meat, honey, poultry, camel milk and meat.

⁸⁵ The following statistics are the authors' calculations, based on data from the *contrats programme*, MAPM (2015).

perfume. However, the state has also opted to decrease its support for certain commodities; the production of cereals is expected to decline by 20 percent to 4.2 million ha, while imports are aimed to be reduced by 20 percent (despite a substantial investment of MAD 29 billion).

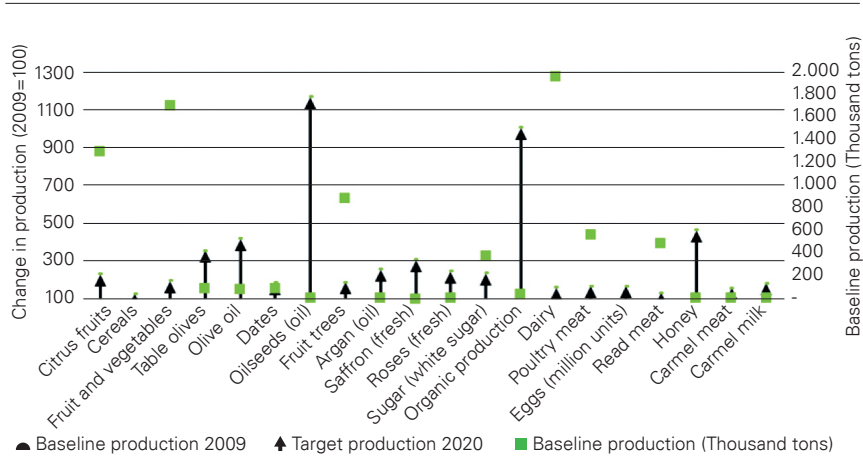
Figure 9: Change in surface from 2009 to 2020 targeted in the contrats-programme



Note: Cereals and organic production were not included due to differences in scale. Cereals surface is targeted to reduce by 20% to 4.2 million ha, whereas organic production should increase in area from 4 000 to 40 000 ha. Areas to be recovered (e.g. 48 000 ha of date palms or 200 000 ha of argan) were not included.

Source: Authors' compilation from MAPM (2016).

Figure 10 – Change in production targets from 2009 to 2020 and sales values targets for 2020 as in the contrats-programme



Note: Cereals baseline production is 6 billion tonnes; baseline production of eggs is 4.5 billion units.

Source: Authors' compilation from MAPM (2016).

2 Investment programmes and investment support instruments

2.1 Initiative Nationale pour le Développement Humain (INDH)

Period of Operation: Two cycles: 2005 to 2010 and 2011 to 2015

Objective: To fight against poverty, precariousness and social exclusion through the realization of basic infrastructure projects, training and capacity building, social and cultural animation, as well as promotion of income- and job-generating activities.⁸⁶

Structure of the Programme: Phase 1 of the INDH is composed of four programmes: 1) rural poverty reduction; 2) social exclusion reduction in urban areas; 3) support to social groups in precarious situations, including homeless youth, street children and the elderly poor; and 4) Cross-cutting programmes devoted to vulnerable urban and rural communities that have not been targeted by calls for proposals. Programmes 1 and 4 financed, *inter alia*, the development of economic activities undertaken by cooperatives through matching grants to income- and employment-generating microprojects (*Activités Génératrices de Revenus - AGR*); therefore the analysis in this section addresses these two programmes. Phase 2 builds on the work conducted in Phase 1 and adds a fifth programme, entitled *Mise à Niveau Territoriale*, which aims to address

⁸⁶ INDH website.

the needs of populations in selected mountainous or remote areas to reduce disparities in access to basic infrastructure, facilities and services.

Target Beneficiaries: Under Phase 1, the INDH targeted 403 rural *communes* in the country.⁸⁷ An AGR project should be proposed by a formal entity – i.e. a cooperative, association, society or GIE (many were associations that evolved into cooperatives). Under Phase 2, Programme 1 is expected to target 701 rural populations,⁸⁸ with cooperatives playing a key role in executing projects; while Programme 5 aims to target 1 million beneficiaries living in 3 300 small villages or rural communities within 503 rural *communes* in mountainous or remote areas.⁸⁹

Implementation Targets/Achievements: Phase 1: In Programme 1, of the 6 756 projects financed, 1 006 were AGR projects (World Bank, 2012) and 61 percent of these AGR projects were in agriculture⁹⁰ (Landel Mills Development consultants, 2011). In Programme 4, there were 2 111 projects financed, of which 1 726 were AGR and 1 075 were in agriculture (World Bank, 2012). Husbandry, processing activities and value addition to *produits du terroir* received the bulk of the investment in agriculture. Phase 2: The intervention of the second phase of INDH in rural areas was mostly dedicated to social services projects, rather than agriculture production.

Budget: Programme 1 was allotted a total of USD 340 million, with each of the 403 poorest rural communes receiving USD 600 000 over a period of five years. Of the total USD 340 million, 260 million came from INDH and the remainder from local partners and beneficiaries. Programme 4 financed projects valued at roughly USD 75 million in agriculture, of which USD 45 million was financed by INDH. Individual projects were financed as follows: 34 percent with less than USD 31 500, 28 percent with amounts between USD 31 500 and USD 88 000 and 38 percent with amounts above USD 88 000. The average number of beneficiaries per project was 211. Funding for the programmes came from a variety of sources, including central and local governments and international donors such as the World Bank (USD 100 million between 2007 and 2010) and other grant donors, including foreign governments, the Arab Fund for Economic and Social Development and the Millennium Challenge Corporation (World Bank, 2012a).⁹¹

Assessment: The institutions in charge of implementation were still inexperienced in the use of matching grants to support the development of

⁸⁷ 348 target communes were selected where poverty rates exceeded 30 percent and 55 *communes* were selected where the rate exceeded 22 percent.

⁸⁸ The threshold poverty rate was lowered to 14 percent for the second phase.

⁸⁹ The terminology used for small villages is 'douar', which are found in North Africa, particularly in Morocco. For more information, see World Bank (2012b).

⁹⁰ In reality the share should be above 100% as projects in olive and argan processing were included under a different category (commerce and industry). According to the report, these were subsectors that benefited from a considerable amount of matching grants financing through INDH.

⁹¹ The Millennium Challenge Corporation also financed the project, *Soutien à l'AGR* (Support for the AGR), through *l'Agence du Partenariat pour le Progrès*.

group income-generating activities. For this reason, according to an assessment conducted by Landel Mills Development consultants (2011) for the European Commission, there were some shortcomings during implementation that may compromise the sustainability of a number of the financed enterprises. Some examples of such shortcomings: there was little business guidance or follow-up for AGR projects (e.g. no requirement of a business plan until 2009); projects were often large-scale with a high level of technical complexity for associations and cooperatives that were typically still immature in terms of governance, management and technical capacities; there was little diversification in terms of value chains and practices, with relatively limited attention given to market access/distance or to encouraging members to break away from traditional practices and social roles; matching grants financing and support mechanisms were not easily adaptable to different types of project and beneficiary groups; there was insufficient monitoring and technical assistance and little effort made to link associations and cooperatives to existing and experienced microcredit institutions. However, according to the World Bank (2012), a total of 1.53 million rural people benefited from the first programme alone.

2.2 Programme D'appui Post-Création aux Coopératives Nouvellement Créées 2011-2015 - Mourafaka

Period of Operation: Initially programmed for 2011-2015, it started in 2014 and is expected to be completed in 2017 (Hayoun, 2014).

Objective: To support recently created cooperatives in the development of managerial capacities in terms of entrepreneurship, innovation and business management, within the framework of the Strategy for the Promotion of the Social Economy 2010-2020. In particular, the programme aims to: improve governance and organization of the cooperatives; improve skills of cooperatives' managers/members in modern business management; improve production processes, techniques and equipment; and adapt production to market demand and promote entry in new market segments (MAESS website).

Structure of the Intervention: The programme is designed for recently established cooperatives, with the understanding that developing economic activity in this context is a relatively long process. As such, the programme supports selected cooperatives in three phases: i) conception of a strategic diagnostic in terms of technical assistance; ii) development of managerial capacities (stock management, human resources management, preparation of general assemblies, accountancy, financial management and marketing); and iii) a coaching and technical assistance programme in management and administration, technical processes and quality, differentiation and marketing. The programme is implemented by ODCO.

Target Beneficiaries: The programme targeted cooperatives that were less than four years old, with at least one year of economic activity (ODCO website). Priority for support is given to cooperatives that benefit the local community,

add value to local resources, contribute to the development of a value chain of importance for the country, are formed by women or young graduates, benefit from financing through another public programme (INDH, ADS, PMV Pillar II, etc.) and are innovative. In 2011 the first 450 cooperatives were selected for the diagnostic. Of these 450, 438 had their diagnostic prepared during 2016. They are distributed in the following regions of the country: Sous-Massa-Drâa (57), Tanger-Tétouan (53), Oriental (44), Meknès-Tafilelt (42), Marrakech-Tensift-El Haouz (40), Guelmim-Es-Smara (37), Laâyoune-Boujdour-Assakia Al Hamra (29), Tadmra-Tafilalht (26), Taza-El Hoceima-Taounate (26), Fès-Boulemane (19), Rabat-Salé-Zemmour-Zaër (15), Doukkala-Abda (13), Oued Eddahab-Lagouira (13), Chaouia-Ouardigua (11), Gharb-Chrarda-Bni Hssen (10) and Grand Casablanca (3) (Hayoun, 2014).

Implementation Targets: A total of 2 000 cooperatives (aiming at 500/year) and 200 000 beneficiaries throughout national territory (Hayoun, 2014).

Budget: Total budget is MAD 85 million – or approximately USD 8.7 million (Hayoun, 2014).

Assessment: The Mourafaka project diagnostic assesses cooperatives through a battery of indicators. For example, on management capacity it assesses the evolution in the number of members, existing capital/assets, employment, administrative and judicial regularity revenues, number of clients, value of stocks, volume of sales, etc. Based on their performance the programme has assisted 438 cooperatives in defining a development plan with vision, mission and objectives within a horizon of five years and correspondent improvement in production, vertical integration, product and service diversification, etc. Most cooperatives show problems in governance, such as lack of general assemblies and conflicts of interest, and are therefore in an early stage of development.

2.3 *Fonds de Développement Agricole (FDA)*

Period of Operation: Created in 1986.

Objective: FDA has the goal of promoting and directing private investment in agriculture, through targeted subsidies. It is the operational arm of PMV Pillar I and contributes to achievement of the goals of PMV Pillar II.

Structure of the Intervention: FDA's current incentives packages are structured as follows:

A – General Support (*Régimes des Aides Universelles*): (i) irrigation and related farm improvements; (ii) farm equipment; (iii) certified seeds and fruit trees;⁹²

⁹² Seeds: cereal and sugar beet (and sugar cane plantations). Tree plantations: irrigated orange, date, olive, quince, medlar, plum, peach, cherry, apple, pear, almond, argan, fig, pomegranate, carob and pistachio)

(iv) export promotion; (v) genetic improvement; and (vi) value addition units.⁹³ Herder groups or cooperatives only benefit from higher subsidies in the case of purebred sheep and goat husbandry (additional MAD 50/head, +6 to 11 %) and queen bee production (MAD 50/hive of selected reproductive bees, +20%). ANOC certifies the eligibility of herder groups.

B – Support to *Projets Agrégation (Régime des Aides aux Projets d'Agrégation)*:

(i) increased subsidized shares and ceilings for investments in drip irrigation (e.g. from 80 to 100% in drip irrigation) and agricultural equipment (these can be awarded to both the *agrégateur* or the *agrégé* for investments related to the project value chain); (ii) subsidies for improvement of the value addition unit of the *agrégateur* (30% subsidy for construction and equipment of milk collection centres by cooperatives in key milk-producing areas); (iii) subsidies conditional on the achievement of objectives (e.g. to support *agrégés* in engaging with professional organizations or adopting new technologies) – subsidies vary between MAD 400/ha (rainfed winter cereals) and MAD 5000/ha (saffron and roses) and between MAD 50/head (goat milk) and MAD 900/head (camel milk).

Target Beneficiaries: Incentive packages are designed to benefit mostly private entrepreneurs in the areas with the most potential for agriculture (PMV Pillar I). However, there are also subsidies for crops most suited for mountain areas (e.g. cherry, apple), and oasis (e.g. dates, saffron, roses) and for small ruminants, which may contribute to the objectives of PMV Pillar II.

Implementation targets and budget are in line with those of the PMV.

Based on: MAPM (2016a, 2016b and 2016c).

2.4 Establishment of Agropoles

Objective: Development of local value chains to consolidate Moroccan agro-industrial systems and agricultural enterprises.

Structure of the Intervention: The second phase of the PMV contributes to both pillars and envisions the creation of six agropoles in different regions to position Morocco as an emerging agro-industry powerhouse that can serve changing consumption trends in Europe and the rest of the world (*L'Economiste*, 2015). The agropoles are expected to attract sizeable investments from the public and the private sector to fuel sector growth. Key sectors for each agropole include: olive oil (Meknes, Tadla); fruits and vegetables (Meknes, Berkane, Souss⁹⁴); cereals (Meknes); milk and/or meat (Meknes, Berkane,

⁹³ Facilities and equipment for (10% subsidy): conservation and storage of seeds, cereals, citrus, fruit and vegetables; refrigeration and freezing of fruits and vegetables; extraction and bottling of olive oil; table olives preserves production; dairy plants; cattle fattening; slaughterhouse and processing of red meat.

⁹⁴ Meknes fruit and vegetable production is likely more geared towards tree crops, while Berkane and Souss have been earmarked for the production of “maraichage” crops, or fruits and vegetables grown in gardens directly in the soil.

Tadla, Souss); olives (Berkane, Tadlha); citrus (Berkane, Tadla, Souss); and *produits du terroir* (saffron, honey, medicinal plants, etc.) (Tadla, Souss).⁹⁵ Other important activities include the production and provision of agricultural support mechanisms, such as pesticides and irrigation materials and packaging services, which are primarily based in Meknes at the moment (Finance News, 2015).

Target Beneficiaries: Private enterprises in agribusiness, particularly those producing for export. The agropoles are also expected to incur benefits for Moroccan farmers both in terms of increased demand for production and the availability of farming inputs.

Implementation Mechanisms: Establishment and development of the six agropoles is spearheaded by two institutions: the *Centre Régional d'Investissement* (Regional Investment Centre), which attracts public and private investors; and the MAPM, which provides assistance to help develop agricultural value chains.

Budget: Investment costs: for the Meknes agropole, MAD 4 billion; Berkane, MAD 1.25 billion; Tadla, MAD 3 billion. Operating costs: for the Meknès agropole, MAD 559 million; Berkane, MAD 361 million; Tadla, MAD 920 million. Investment and operating costs have not yet been announced for Souss, Haouz and Gharb/Loukkos (MAPM, 2016e).

2.5 IFAD-financed rural development programmes⁹⁶

Period of Operation: IFAD has long been engaged with the Government of Morocco in rural development, having supported several sets (“generations”) of similar projects in different regions of the country. IFAD’s third generation of projects in the country started around 2000, while the fourth generation began around 2008. Currently ongoing projects are due to close in 2019.

Objective: IFAD’s third generation of projects was formulated in line with the main objective strategies of the national government at the time: community-based rural development (associated with the country’s socioterritorial units); production diversification for increased food security and national and international product competitiveness; decentralization, focusing on planning, with the participation of local organizations; and access to support services, such as water, technical assistance and finance. With the launch of the PMV, a fourth generation of projects has been designed in line with PMV Pillar II objectives.

⁹⁵ At the time of writing, the sectors covered at Haouz and Gharb/Loukkos were undecided. For more information, see MAPM (2016 e).

⁹⁶ Although all the projects in this section have been financed by IFAD, the Government of Kingdom of Morocco and other donors (Global Environmental Facility, OPEC Fund for International Development, United Nations Development Programme) have also contributed to their financing.

Target Beneficiaries: Until 2009, IFAD-financed interventions targeted the three zones with the highest poverty levels: (i) poorest provinces in mountain areas; (ii) low potential rangelands (eastern plateaus and arid areas of the south; and (iii) rainfed agriculture in arid areas of the south. The most recent projects targeted communities in mountain areas where promising value chains could be developed (adapted from IFAD, 2003a).

Third and fourth generation projects are summarized in Table 9 and Table 10 in terms of targets/achievements and budgets.

Table 9: Summary of IFAD-financed projects from the third and fourth generations

Project names and targets relevant to the development of cooperatives	Period of operation	Beneficiary households (number)	Budget (USD million)
Third generation			
Rural Development Project for Taourirt - Taforalt (PDRTT) <ul style="list-style-type: none"> Support to 180 producers' organizations (29 were water users groups - WUA) 	1996-2007	14 000	49.4
Rural Development Project in the Mountain Zones of Al-Haouz Province (PDRZMH) <ul style="list-style-type: none"> Support to 156 cooperatives (only 50% operational at the end of the project) 	2000-2009	8 500	30.2
Livestock and Rangelands Development Project in the Eastern Region - Phase II (PDPEO-II) <ul style="list-style-type: none"> 25 approved cooperative development plans 63 consolidated cooperatives grouping into GIEs and offshooting into youth cooperatives (60) 1 regional cooperative (COPACO) 	2003-2009	N/A	9.2
Rural Development Project in the Eastern Middle Atlas Mountains (PDRMO) <ul style="list-style-type: none"> 29 women's AGRs (honey and sheep) 2 rangeland and management associations and 43 WUA 	2007-2015	10 000	34.4
Rural Development Project in the Mountain Zones of Errachidia Province (PDRME) <ul style="list-style-type: none"> Support to AGR (number not available) 	2008-2015	20 000	27.0

Project names and targets relevant to the development of cooperatives	Period of operation	Beneficiary households (number)	Budget (USD million)
Fourth generation			
Agricultural Value Chain Development Programme in the Mountain Zones of Taza Province <ul style="list-style-type: none"> • Production: olive (12 coops, 2 GIEs), almond (2 producers' groups), honey (20 AGRs and 3 GIEs), small ruminants (4 groups with agreement with ANOC and equipment) • Processing units: olive (3), almond (1 coop), honey (20 coops) 	2011-2017	8 000	39.1
Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province (PDFAZMH) <ul style="list-style-type: none"> • Production: small ruminants (5 groups) • Processing units: olive (6), apple (5), small ruminants (3) 	2012-2018	6 000	9.1
Rural Development Programme in the Mountain Zones – Phase I (Séfrou and d'Azilal) <ul style="list-style-type: none"> • Processing/storage units: apple (4), almond (1), carrot (3), milk (8), plum (1), walnut (1) 	2015-2019	30 000	49.4

Note: The budgets are indicative of the size of the projects, but include components and activities that do not directly benefit the development of cooperatives or other forms of producers' organizations. Processing units may not always be run by cooperatives.

Source: Authors' adaptation from IFAD (2011, 2013b, 2014a, 2014b, 2014c, 2014d, 2015a and 2015b).

Assessment: The Project Completion Digests of IFAD-financed projects in Morocco indicate that third generation projects focused mostly on the local improvement of primary agricultural production and livestock husbandry and the provision of basic services. Despite the success of these projects on other fronts, the development of cooperatives as value chain development agents was only a marginal element of the overall strategy. As a result, in Taoutirt-Taforalt the marketing of supported products (olive oil, almonds and capers) still needed further support by the end of the project (IFAD, 2011); in the eastern region, sheep enterprises have shown little success and there was limited promotion of local products and implementation of cooperative development plans. In the Eastern Middle Atlas Mountains, capacity development activities of cooperatives achieved only 10 percent of their targets and the support to increase access to financial services “did not achieve the expected results”

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(IFAD, 2014c). In Errachida, the project supported the installation of processing units for almonds (2), plums (1), olive oil (5) and honey (8), and four groups of herders (483 herders) received support from ANOC on animal husbandry, but at the time of the last available supervision report, the supported cooperatives faced challenges to their sustainability (IFAD, 2013).

Fourth generation projects were in line with the objectives of the PMV and were formulated with a strong value chain approach for key value chains in each region. Table 10 summarizes the main targets of these projects.

Table 10: Summary of main objectives and targets related to cooperative and value chain development of the ongoing IFAD- financed projects

Value Chain	Main objectives/targets
Apples (Al Haouz, Séfrou, A Azilal)	Production: Support for Good Agricultural Practices (GAP) and plantation of 150 ha in A Azilal and 230 ha in Al Haouz.
	Processing: Refrigeration/conservation units: 1 in Séfrou (2000 tonnes), 1 in A Azilal (600 tonnes), 3 in Al Haouz. Juice and vinegar production units: 1 in A Azilal, 2 (only vinegar) in Al Haouz.
Almonds (A Azilal, Taza)	Production: Plantation of 700 ha and rehabilitation of 800 ha in A Azilal, plantation of 1200 ha and rehabilitation of 600 ha in Taza.
	Processing: 1 processing and storage unit (2 tonnes/day) in Ait Mazigh, A Azilal and 1 processing unit for women in Taza (MAD 2.1 million).
	Professional Organizations: The project in Taza envisioned collaboration with National Association of Mountain Tree Crop Producers (ANARBOM), but it never materialized as the association was not receptive.
Carob (A Azilal)	Production: Plantation of 500 ha and GAP for improved quality in A Azilal.
	Processing: 2 processing and packaging units and a gum production unit.
Cherries (Séfrou)	Production: Support in Séfrou for GAP.
	Harvest/post-harvest: Improvement of harvest, selection, grading, packaging, transport and marketing techniques (targets not yet defined).
Dairy (Séfrou)	Processing: Upgrade of 8 collection centres in Séfrou, each managed by one cooperative in partnership with <i>Centrale Laitière</i> .
	Professional Organizations: The agreement with FIMALAIT provides the framework for the project.

Value Chain	Main objectives/targets
Honey (Séfrou, A Azilal, Taza)	Production: In Séfrou and A Azilal the investment is centred on improvement of production (new hives and improved techniques). In Taza the investment is also made in production in 25 AGRs. Two unions in Taza will play the role of main “ <i>agregateurs</i> .”
	Processing: Three new GIEs in Taza (Twizi in Smia, Ain Gharouba in Oued Amlil, and Maghraoua-Bouiblane with 16, 13 and 6 cooperatives, respectively). GIEs in Maghraoua-Bouiblane will work on the geographical certification of the honey from Bouiblane. Twenty cooperatives in all GIEs will be equipped with extraction units. Not clear what will be achieved in Séfrou or A Azilal.
	Professional Organizations: No overarching professional organization involved. Marketing and advocacy functions remain with GIEs.
Olives (Al Haouz, Taza)	Production: Plantation of 2080 ha and rehabilitation of 800 ha for 1566 beneficiaries organized in 12 cooperatives in Taza. Support for GAP in 443 ha in Al Haouz.
	Processing: One medium-scale (MAD 4.3 million) and two traditional (MAD 2 million, total) table olives processing units (traditional ones are women’s cooperatives of Tawmatine and Kaouane) in Taza. Construction or upgrade of olive oil-related processing units in Al Haouz – one for extraction, one for bottling and one for soap production. HACCP certification and brand creations for three olive oil extraction units (Tissir, Marigha, Auersouak) in Al Haouz.
	GIE/Professional Organizations: The project in Taza envisioned collaboration with ANARBOM, but it never materialized as the association was not receptive. The five cooperatives have joined two new GIEs (Zouyout Louta and Friwato) in Taza.
Plums (Séfrou)	Production: In Séfour 75 ha of new plantations and GAP for improved fruit quality.
	Processing: Upgrade of the plum drying unit in Ain Timeguenai.
Small ruminants (Al Haouz, Séfrou, A Azilal, Taza)	Production: Strengthening of herders’ groups in partnership with ANOC (Séfrou and Aziza). Same is foreseen in Taza (3 groups: Tazekka, Bouiblane and Maghraoua) and Al Haouz (5 groups in the rural communities of Sidi Bedhaj, Dar Jamaa, Tizguine, Lalla Takerkoust and Ouzguita and 2 women’s AGRs).
	Processing: Fattening units were initially considered in Taza, but later deemed unfeasible. Processing units/slaughterhouses were not considered in most locations. In Al Haouz there are plans for one skin and leather processing unit and one centre for wool collection and treatment for the five groups and one weaving enterprise for women organized in cooperatives (Taghnit).
	Professional Organizations: ANOC is deeply involved in contributing to the sustainability of the investment at producers’ levels (training and marketing).
Walnuts (A Azilal)	Production: Plantation of 250 ha and recovery of the existing orchards in A Azilal.
	Processing: One processing unit in the cooperative in Tikniouine (1.8 tonnes/day), no explicit targets for oil extraction.

Note: Not all investment in processing and marketing units will be undertaken through cooperatives. Some may be made through other potential “*agregateurs*” (e.g. private companies).

Source: Authors’ adaptation from IFAD (2014d, 2015a and 2015b).

2.6 Programme de l'Agence Nationale pour le Développement des Zones Oasiennes et de l'Arganier (ANDZOA)

Period of operation: The agency has formulated investment programmes in key value chains initially foreseen for 2012 to 2020. The implementation period actually runs from 2016 to 2020.

Objective: The objective of ANDZOA is to undertake studies, propose legal reforms/amendments, advocate, formulate and implement projects and programmes that support the argan, roses, saffron, and dates value chains and the populations that depend on them.

Structure of the Intervention: The interventions in selected value chains are structured around four programmes (*contrats-programme*), one for each of the main value chains, which compose a broader strategy of territorial development including 45 programmes, budgeted at MAD 93 billion (comprising, *inter alia*, basic services and infrastructure, tourism, soil and water management, and urban planning).

Target Beneficiaries: Producer organizations for selected products in oasis and argan-producing areas.

Implementation Targets: (i) set up specific research programmes dedicated to date palms and argan; (ii) increase production, productivity and quality (increase area planted with rosebushes from 800 to 1200 ha and increase production of fresh roses from 2 000 tonnes to 4 800 tonnes; increase area planted with saffron plants from 610 to 1350 ha and increase saffron production from 3 tonnes to 9 tonnes; rehabilitate 48 000 ha of palm trees, increase planted surface by 17 000 ha and increase production from 90 000 tonnes to 160 000 tonnes); (iii) provide incentives for aggregation (*projets d'agrégation*), and support to value addition, storage and marketing (increase processed quantities from 1 000 to 3 800 tonnes for roses, from 300 to 600 kg for saffron, and to 110 000 tonnes for dates); (iv) develop the capacities of professional organizations.

Budget: The targets set in the *contrats-programme* (not actual commitments) are: roses (MAD 100 million), dates (MAD 7.7 billion), saffron (MAD 100 million), argan (MAD 2.1 billion). Plantations can be partially funded by FDA.

Assessment: Negotiations with possible co-implementing agencies are still ongoing.

2.7 Interventions programmed by the Haut-Commissariat aux Eaux et Forêts et à la Lutte Contre la Désertification (HCEFLCD)

Period of Operation: The HCEFLCD provides ongoing and permanent monitoring and support to forest cooperatives. In addition, it is responsible for the coordination of the National Action Programme against Desertification

(*Programme d'Action National de Lutte Contre la Désertification – PAN-LCD*) which aims at intervening in the livestock value chains in the period 2012-2022.

Objective: The mission of the HCEFLCD is to formulate and implement policies on forest, water and pastoral systems, coordinate the formulation and implementation of mechanisms devoted to mitigating desertification, and participate in the formulation and implementation of rural development policies. In the case of the PAN-LCD, the HCEFLCD intervenes in eight zones of the country with different levels of soil erosion and pressure on rangelands (soil degradation) and vulnerability to desertification and establishes action plans for each of them. In four zones it foresees the active participation of herders organized into groups for improving rangeland management. These interventions are usually associated with investments in the valorization of livestock products through cooperatives.

Structure of the Intervention: Interventions are not programmed in detail in the PAN-LCD, but they often consist of a component on rangeland rehabilitation (planting shrubs, sowing pastures, land set-aside, and improved husbandry practices), a component on value chain development (*produits du terroir*) and often a component on support services (education, capacity development, access to water, rural roads, etc.)

Target Beneficiaries: Herder communities in argan production areas, north Atlas mountains area, north Atlas plains and plateaus, and eastern region plains and plateaus.

Implementation Targets: Zone 3 (argan zone): 575 708 ha, with an objective to recover 10 000 ha per year;⁹⁷ Zone 4 (Atlas chain towards the north): 1 364 688 ha; Zone 5 (northern Atlas plains and plateaus): 980 508 ha; Zone 6 (eastern plains and plateaus): 1 306 472 ha.

Budget: Zone 3 (argan zone): MAD 1 007.5 million; Zone 4 (Atlas chain towards the north): MAD 2 388.2 million; Zone 5 (northern Atlas plains and plateaus): MAD 1 715.9 million; Zone 6 (eastern plains and plateaus): MAD 2 286.3 million. There is no available information on how much is currently being financed.

Assessment: Activities such as those proposed in the PAN-LCD face similar objectives and challenges as those described for the IFAD-financed projects that targeted small ruminants-related value chains.

2.8 Development assistance from bilateral donors

Bilateral donors have financed a multitude of rural development projects. For instance, the Belgian Development Agency, the German Society for International Cooperation and the EU have been providing strong financial support to cooperatives operating in agricultural value chains such as argan, saffron

⁹⁷ Personal communication (September 2016)

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and olive oil. The Japan International Cooperation Agency financed capacity strengthening of agricultural water use cooperatives. One particular example is "*Le Projet Arganier*" funded jointly by the Moroccan *Agence de Développement Social* and the EU (2003-2010). This €12 million initiative supporting the expansion of argan oil cooperatives for women was responsible for an increase in the number of cooperatives from a handful involving a few hundred women in 1999 to well over 100 cooperatives involving over 4 000 women.

Another important programme is that of the MCA for development of the olive sector, conducted jointly by the Islamic Development Bank and the ADA. It targets five olive-growing regions in Morocco with an integrated olive-growing scheme for 8 200 farmers: Tangier-Tétouan-Al Hoceima, Oriental, Fez-Meknes, Marrakech-Safi and Beni Mellal-Khénifra. The programme is structured around several components. These include the planting of nearly 18 000 hectares of olive trees, the improvement of water infrastructure and the construction of 48 kilometres of rural roads. Another objective of the programme for development of the olive sector is the installation of 20 olive mills with an olive crushing capacity of 60 to 100 tonnes per day (Bladinet, 2016).

There has been no systematic monitoring and reporting of the sustainability of the cooperatives supported by these projects.

Please address comments and inquiries to:

Investment Centre Division

Food and Agriculture Organization of the United Nations (FAO)

Viale delle Terme di Caracalla – 00153 Rome, Italy

investment-centre@fao.org

www.fao.org/investment/en

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