

U N C L A S S I F I E D

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D. C. 20523

PROJECT PAPER SUPPLEMENT

No. 1

MOROCCO: Private Sector Export Promotion
Project (608-0189)

July, 1989

U N C L A S S I F I E D

**AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID MOROCCO**

**PROJECT PAPER SUPPLEMENT No. 1
PRIVATE SECTOR EXPORT PROMOTION PROJECT (608-0189)**

July, 1989

PROJECT DATA SHEET

A = Add
C = Change
D = Delete

Amendment Number 1 CODE 3

2. COUNTRY/ENTITY
MOROCCO

3. PROJECT NUMBER
608-0189

4. BUREAU/OFFICE
USAID/MOROCCO 608

5. PROJECT TITLE (maximum 60 characters)
PRIVATE SECTOR EXPORT PROMOTION PROJECT

6. PROJECT ASSISTANCE COMPLETION DATE (FACD)
MM DD YY
06 30 91

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)
A. Initial FY 86 B. Quarter 3 C. Final FY 90

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,484	8,000	9,484	5,500	16,000	21,500
(Grant)	(1,484)	()	(1,484)	(5,500)	()	(5,500)
(Loan)	()	(8,000)	(8,000)	()	(16,000)	(16,000)
Other U.S.						
Host Country					3,450	3,450
Other Donor(s)						
TOTALS	1,484	8,000	9,484	5,500	19,450	24,950

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF	730	840	840	4,000	12,500	1,500	- 0 -	5,500	16,000
(2)									
(3)									
(4)									
TOTALS				4,000	12,500	1,500	- 0 -	5,500	16,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODES

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

PURPOSE: to increase exports by Morocco's private sector.
SUB-PURPOSE: (i) to expand export credit insurance coverage, (ii) to expand export prefinancing credit to small and medium-sized firms and new users, and (iii) to improve the export production and marketing capacity of beneficiary firms and improve the capacity of the Moroccan Center for Export Promotion (CMPE) to service private exporters.

14. SCHEDULED EVALUATIONS
Interim MM YY 09 89 Final MM YY 12 90

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 800 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

This PP Supplement proposes the incorporation of and the funding for a \$ 1.5 million trade and investment activity to be implemented by the International Executive Service Corps. USAID Morocco Controller approves of proposed Methods of Implementation and Financing set forth under Section V.A.2 of the Project Paper Supplement No.1.

17. APPROVED BY
Signature: Charles W. Johnson
Title: Mission Director

Signature: Richard L. Warin
Title: Controller
Date Signed MM DD YY 017 28 89

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

TABLE OF CONTENTS

	<u>Page</u>
PROJECT DATA SHEET	i
TABLE OF CONTENTS	ii
ACTION MEMORANDUM TO THE MISSION DIRECTOR	iii
PROJECT AUTHORIZATION AMENDMENT	v
I. SUMMARY AND RECOMMENDATIONS	1
A. Summary Statement of Changes	1
B. The Problem	2
C. Summary Project Description	3
D. Recommendations	3
II BACKGROUND AND RATIONALE	4
A. Background	4
B. Rationale for Project Paper Supplement.....	4
C. Relationship to CDSS and GOM Development Plan.....	5
III. PROJECT DESCRIPTION	6
A. Project Goal and Purpose	6
B. Project Components	6
C. Summary of Project Outputs	9
IV. FINANCIAL PLAN	10
V. PROJECT IMPLEMENTATION	13
A. Implementation Arrangements	13
B. Implementation Schedule	14
C. Procurement Plan for Goods and Services	14
D. Monitoring Plan	15
VI. EVALUATION PLAN/AUDIT	15
VII. UPDATE OF PROJECT ANALYSES	16
A. Institutional Analysis Update	16
B. Financial Analysis Update	17
C. Economic Analysis Update	18
D. Technical Analysis Update	18
E. Social Soundness Analysis Update	19
F. Environmental Analysis Update	19

ANNEXES

- A. IESC Proposal for Trade and Investment Services (TIS), June, 1989
- B. Cable from AID Washington saying Congressional Notification not necessary
- C. Record of Mission decisions on issues with TIS Proposal
- D. Project Checklist
- E. Bureau concurrence on environmental categorical exclusion

Action Memorandum for the Mission Director, USAID Morocco

Kenneth G. Schofield

FROM: Kenneth G. Schofield, Program Officer

PROBLEM:

Approval of Project Paper Supplement No. 1 and related Project Authorization Amendment for the Private Sector Export Promotion Project (608-0189).

Background:

The Private Sector Export Promotion Project was authorized at its current \$20 million LCP level by the USAID Mission Director on June 13, 1986. To date the Project Authorization has not been amended.

The project is assisting Morocco in increasing its private sector exports by (i) establishing a new autonomous export credit insurance organization with private sector participation in ownership and management; (ii) creating an export prefinancing credit facility for small and medium-sized exporters and new users of prefinancing credit; and (iii) providing technical assistance to improve the export production and marketing capacity of Moroccan firms.

Discussion:

The project's third component, technical assistance to Moroccan exporters, is being implemented by the International Executive Service Corps (IESC) under a direct USAID Cooperative Agreement signed June 30, 1986. Recently, IESC has submitted to USAID Morocco an Unsolicited Proposal for a \$1.5 million trade and investment activity (Proposal for Trade and Investment Services, dated June 26, 1989). The proposed activity would directly develop Moroccan exports, especially to the United States, and further develop Moroccan exports by stimulating joint-type ventures between Moroccan and foreign private sector firms. The activity idea is in response to repeated GOM requests to help correct the US-Moroccan trade imbalance, which is currently running five to one in favor of the United States. IESC, based on its experience to date implementing its Cooperative Agreement, has gained valuable knowledge on how to promote trade and investment. It is this knowledge, coupled with the existence of an AID Washington-funded companion grant to fund the U.S. costs of the venture stimulation effort, that has made the IESC Morocco Trade and Investment Services (TIS) proposal particularly attractive to USAID Morocco.

Firstly, it is proposed that the existing IESC Morocco Cooperative Agreement be modified to incorporate the \$1.5 million TIS activity. Secondly, it is proposed that there be a revision to the original PP financial plan to shift \$220,000 from the IESC Cooperative Agreement line item to other line items. Thirdly, it is proposed that a modification be made to a Condition Precedent to disbursement of the Export Credit Insurance loan. Before these proposed changes can be made, however, the original Project Paper (PP) must be modified (PP Supplement No.1) and the original Project Authorization amended (Project Authorization Amendment No. 1).

The goal and purpose of the expanded project would remain the same as those in the original project. The PP Supplement shows that the expanded project would remain institutionally, financially, economically, technically, socially and environmentally sound. Additional grant-funding of \$1.5 million would be provided to the project, bringing the total LOP funding level to \$21.5 million. It is anticipated that all of the \$1.5 million increase would be obligated this FY to IESC.

A Congressional Notification is not required per State 208170. Under Redelelegation of Authority No. 654, you have authority to approve project amendments which (1) do not exceed \$30 million in total LOP funding, (2) present no significant policy issues and (3) require no further issuance of waivers by AID Washington. The proposed Project Authorization Amendment falls within these limits.

Recommendation:

(1) That you approve PP Supplement No. 1, by signing its Project Data Sheet; and

(2) that you sign the attached Project Authorization Amendment No.1, increasing LOP total funding by \$1.5 million.

~~MM~~
Drafted: PE:MHuffman: am: 07/07/89

Clearances: PEO:RDodson *[Signature]*

OFM:RWarin *[Signature]*

PROG:JWiebler *[Signature]*

RLA:BBarrington *[Signature]*

DDIR:LMorse *[Signature]*

AMENDMENT NUMBER ONE

TO THE

PROJECT AUTHORIZATION

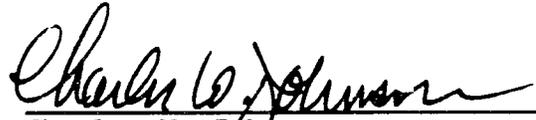
Name of Country : Morocco
Name of Project : Private Sector Export Promotion
Number of Project : 608-0189

Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Private Sector Export Promotion Project for Morocco was authorized on June 13, 1986. That authorization is hereby amended as follows:

1. The authorized level of grant funding is increased from \$4,000,000 to \$5,500,000; and
2. To paragraph 2, the summary of project description, is added the following phrase: ", locate export markets and assist in the creation of cooperative business ventures."
3. The second condition precedent to disbursement of the loan (b.2.(b) of the Authorization) is amended to read as follows:

"A sub-loan agreement has been signed between the Ministry of Finance and the new entity which ensures, inter alia, that the Dirham equivalent of the loan amount will be used only for the creation and maintenance of an ordinary commercial risk special reserve fund."

The Authorization cited above remains in full force and effect except as hereby amended.



Charles W. Johnson
Director, USAID Morocco

Date: 2/28/89

608-0198 PRIVATE SECTOR EXPORT PROMOTION

PROJECT PAPER SUPPLEMENT No. 1

I. SUMMARY AND RECOMMENDATIONS

A. Summary Statement of Changes

The Private Sector Export Promotion Project (608-0189) is a five year project which was authorized in June, 1986 at a \$20 million AID contribution level. The initial obligation was also made in June, 1986. The purpose of the project is to increase exports by Morocco's private sector.

The major change proposed in this PP Supplement is to add a \$1.5 million trade and investment activity which is consistent with the purpose and intent of the original project. The activity will be implemented by the International Executive Service Corps (IESC), through an amendment to its existing Cooperative Agreement under the project, under which IESC is providing technical assistance to Moroccan exporters. The expanded role for IESC is fully documented in Annex A in the form of an unsolicited proposal for a Trade and Investment Services (TIS) program which has been reviewed and accepted by USAID Morocco. The purpose of this PP Supplement is to incorporate the TIS activity into the official project documentation; to show that the activity is consistent with the original project; to show that the activity is technically, institutionally, financially, economically and socially sound; and to form the basis to justify an amendment to the Project Authorization to add \$1.5 million for the activity.

This PP Supplement also proposes a second change to the original project. This involves a revision to the original financial plan to shift \$220,000 from the IESC Cooperative Agreement line item to the Export Credit Insurance T. A. Contract line item (\$206,864) and the Contingency line item (\$13,136). Due to cost savings accrued in the implementation of the on-going IESC Cooperative Agreement, the original \$2.8 million anticipated level of funding, before inclusion of the TIS activity, may be reduced to \$2.58 million, resulting in a savings of \$220,000. Most of this savings (\$206,864), however, is required to fully fund the Export Credit Insurance T. A. contract which was slightly underestimated in the original Project Paper. Therefore, this PP Supplement will incorporate a financial plan revision which is necessary to correct both an overestimation and an underestimation made at the time the original Project Paper was approved.

This PP Supplement also proposes a modification to one of the Conditions Precedent (CP) to disbursement of the \$ 8 million loan for the new export credit insurance organization. The original CP contemplated the possibility of the GOM sharing political risks with the new organization (SMAEX) and required a reinsurance agreement to bring this about. Because SMAEX, with USAID support, has declined the idea of sharing political risk, no reinsurance agreement should now be required to meet the CP. The proposed revised CP, in addition to dropping the reinsurance language, more tightly defines the use of the \$ 8 million loan to assure that it will not be used to cover other obligations (e.g. political risk claims, operating losses, etc.) than those emanating from the creation and maintenance of an ordinary commercial risk reserve fund. (For further explanation, see section III. B.).

B. The Problem

Morocco faces a severe debt servicing problem and a significant trade deficit. In 1983, the Government of Morocco (GOM) began to reform its economic policies under guidelines negotiated with the IMF and the IBRD. Many of the reforms are designed to reverse the GOM's earlier policy bias toward production for the domestic market and help Morocco make the transition from an inward to an outward looking economy. In this context, the GOM now views the development of the export sector as a critical element of economic reform. Progress has been made toward a large majority of IMF targets and opportunities for increasing exports have improved. However, the country still needs additional sources of foreign exchange to service its very large debt and to finance investment in long-term development.

USAID supports the steps the GOM is taking to reorient the economy. In 1986, USAID and the GOM launched the Private Sector Export Promotion Project to increase exports by Morocco's private sector in order to increase Moroccan export earnings and hence strengthen Morocco's capacity to service its debt and finance investments for long-term development.

The Project has three major components: 1) the establishment of a new autonomous export credit insurance organization with private sector participation in ownership and management; 2) the creation of an export prefinancing facility for small and medium-sized firms and new users of prefinancing credit; and 3) technical assistance for export promotion. Each component focuses on constraints to export development in Morocco.

The technical assistance component has been implemented through a Cooperative Agreement with IESC. The IESC technical assistance effort has consisted of two elements: specialized assistance to improve the export production and marketing capacity of Moroccan firms, and long-term advisory assistance provided to the Moroccan Center for Export Promotion (CMPE) in order to improve the GOM's capacity to stimulate exports. Experience gained over the past two years shows that the long-term advisory assistance should be replaced with a new export promotion activity.

The two-year contract of the long-term advisor expired in the fall of 1988. Although CMPE requested extension of the contract, IESC recommended and USAID agreed that it be terminated. After two-years at CMPE, IESC concluded that only a small percentage of CMPE's effort was actually directed to export promotion, due to the heavy bureaucratic burdens which severely limit CMPE's effectiveness. However, IESC and USAID felt that with the knowledge gained at CMPE, an effective export promotion activity could be developed without direct involvement of the CMPE. The proposed new activity is the IESC Trade and Investment Services (TIS) program.

C. Summary Project Description

This Project Paper Supplement will add a Trade and Investment Services (TIS) program to the Technical Assistance component of the Private Sector Export Promotion Project. To finance the new activity, \$1.5 million will be added to the \$2.58 million already obligated under the IESC Cooperative Agreement and A.I.D. life-of-project (LOP) funding will increase by \$1.5 million to a new LOP total of \$21,500,000. The Project Assistance Completion Date (PACD) will remain June 30, 1991.

The first two components of the the Project remain unchanged. Consequently, this Project Paper Supplement addresses and updates only those sections of the original Project Paper which are directly affected by the introduction of the TIS Morocco program. The TIS activity consists of two components: venture stimulation and export development. The Project Description Section of this document provides an overview of the TIS activity and a detailed description of the TIS Morocco program is provided in the TIS Proposal, Annex A.

D. Recommendations

It is recommended that the original Project Authorization be amended to add \$1.5 million in FY 89 ESF grant funds and amend one of the Conditions Precedent to disbursement of the \$8 million loan for the new, privatized export credit insurance entity. It is further recommended that, upon the Project Authorization Amendment, the on-going IESC Cooperative Agreement be modified to incorporate the \$1.5 million to fund the Trade and Investment Services activity and to establish other modifications noted in Annex B.

II. BACKGROUND AND RATIONALE

A. Background

Confronted with a severe debt servicing problem and a significant trade deficit, Morocco has been undertaking a series of economic reforms to restructure and stabilize its economy under guidelines negotiated with the IMF and the IBRD. Since the writing of the Project Paper, Morocco has made progress toward a large majority of IMF targets. However the macroeconomic context presented in the Project Paper remains valid and the country still needs additional sources of foreign exchange to service its external debt and to finance investment for long-term development.

As stated in the Project Paper, the GOM views the development of the export sector as crucial to economic reform: exports can provide Morocco with a sustainable source of foreign exchange to service its external debt, as well as to finance imports and investment for long-term development. Opportunities for increasing exports have improved, but significant constraints remain: weaknesses in the export insurance program, conservative export-financing procedures, export production problems and insufficient knowledge of overseas markets. The constraints for private export-oriented industry identified in the Project Paper remain valid. To address these constraints, the GOM and A.I.D. are implementing this multi-faceted project targeted toward exporters in the private sector.

B. Rationale for Project Paper Supplement

Since the project's inception in 1986, the promotion of exports has acquired increased emphasis within A.I.D. and in the context of U.S. bilateral relations with Morocco. The A.I.D. Washington, Private Enterprise Bureau (PRE) recently issued an agency wide grant to IESC to cover the U.S. costs of backstopping in-country Trade and Investment Services programs. PRE has identified Morocco as a country participant under this new initiative.

The importance of export promotion activities is likewise heightened by the growing trade imbalance between the U.S. and Morocco. The imbalance has recently run at a rate of five to one and the gap is expected to grow. The GOM has expressed its strong desire to reduce the gap by augmenting the volume of Moroccan exports to the United States.

While opportunities for increasing exports have improved, particularly in the export of textiles and leather goods, these gains have been largely oriented toward Morocco's traditional European trade partners. The development of Moroccan-American private sector business relations has been limited. Moreover, a number of significant constraints to export growth remain. In Morocco, leading constraints to export growth include export production and marketing problems, insufficient knowledge of overseas markets, and a language barrier. In the United States, smaller and medium size businesses are not aware of possible business opportunities involving Moroccan firms.

To date, the IESC program in Morocco has been focused on improving the quality of export production. Export production assistance has been provided to approximately 70 individual enterprises in numerous sectors of the economy. However, IESC experience shows that an export marketing gap remains between competent Moroccan exporters and willing U.S. buyers; linkages with importers in the United States are needed and they have not been developed in the absence of a TIS-like program.

A.I.D. experience with the IESC TIS program in Latin America shows that the export marketing gap can be reduced through the promotion of export development and joint ventures between the host country and U.S. private sectors. The TIS program has been underway in a number of Latin American countries since 1984 and experience points to its success in stimulating trade and exports to the United States. A distinguishing feature of the TIS program is that it operates in the United States as well as in the host country.

There also exists a strong demand for the development of the TIS program in Morocco on the part of the Moroccan business community. The IESC Advisory Council, comprised of top Moroccan businessmen who provide guidance and assistance to IESC Morocco, has been requesting further IESC assistance in export development and venture stimulation.

The IESC Proposal, Annex A, outlines in greater detail the background and rationale of the TIS Program.

C. Relationship to CDSS and GOM Development Plan

The increased reliance on market forces and the private sector promoted by the project is clearly consistent with AID development goals and the thrust of the GOM structural adjustment process. The thrust of the adjustment process is two-fold: first to reduce the role of the state in favor of market forces and the private sector, and secondly, to encourage exports as the key to economic growth. In an effort to lend greater support to Morocco's reform program, USAID has identified export promotion as the focus of its private sector strategy.

III. PROJECT DESCRIPTION

A. Project Goal and Purpose

The project goal and purpose statements for the Project Paper Supplement remain the same as for the original project. However, the purpose description is amplified to reflect the addition of the IESC Trade and Investment Services Program to the Technical Assistance component. The goal and purpose are restated below for clarity.

Goal: The goal of the project is to increase the export earnings of Morocco's private sector firms, and hence, to strengthen Morocco's capacity to service its debt and finance its investments for development.

Purpose: The overall purpose of the project is to increase exports by Morocco's private sector. The project also has three sub-purposes which correspond to the project's three major components. For the export credit insurance component, the project sub-purpose is to expand credit insurance coverage. At present only approximately 5% of Morocco's exports are covered in an average year. It is expected that by the end of the project, 20% of insurable exports will be covered. Increased coverage will stimulate an increase in exports. For the export credit component, the project sub-purpose is to expand export prefinancing credit to small and medium-sized firms and new users. Increased access to credit by such firms should increase export production. Lastly, for the export assistance component, the project sub-purpose is to improve the export production and marketing capacity of beneficiary firms and to improve the capacity of the Moroccan Center for Export Promotion (CMPE) to service private exporters. As a result of this Project Paper Supplement, the following is hereby added to the amplified purpose description found on p. 14 of the original Project Paper: "to stimulate the development of joint ventures between the Moroccan and foreign private sectors, especially the U.S. private sector, and to develop Moroccan private sector export trade, primarily toward North America".

B. Project Components

The original PP described the project by each of its components: export credit insurance program, export prefinancing credit and export production and marketing assistance. The export prefinancing component has not changed as a result of the PP supplement, therefore it will not be addressed herein.

1. Export Credit Insurance Component

The original Project Authorization established a number of Conditions Precedent (CP's) to desbursement of the \$ 8 million loan for the new export credit insurance organization (SMAEX). These CP's as originally established have never been met. For more than two years USAID Morocco has been deadlocked in negotiations with the GOM. AID's major concern is that SMAEX, and especially the AID-provided loan money, not be liable for claims resulting from political risk policies issued by the GOM. As a result of recent negotiations, SMAEX will now not have to assume these liabilities (except as a paying agent) and the AID-provided loan money will be used only as a reserve for ordinary commercial risk. Because of these new understandings, which are definitely in AID's interest, one original CP needs to be modified. This original CP in the PP states that the GOM will provide evidence that "a reinsurance agreement and a sub-loan agreement have been signed between the Ministry of Finance and the new privatized credit insurance entity". Because the new entity will not now share political risk, no reinsurance agreement is necessary. It is therefore proposed that all reference to reinsurance agreements be dropped from the CP. Because USAID Morocco wants to restrict further the use of the AID-provided loan funds (to exclude e.g. payment of political risk claims or SMAEX operating losses) it is proposed that the revised CP be worded as follows: "a subloan agreement has been signed between the Ministry of Finance and the new entity which ensures, inter alia, that the Dirham equivalent of the loan amount will be used only for the creation and maintenance of an ordinary commercial risk special reserve fund".

2. Export Production and Marketing Assistance Component

Except for some minor reduction in the scope of the Export Marketing and Export Development Fund activities, the activities described in the original PP will operate as planned, with the exception of the addition of the TIS activity.

The existing Cooperative Agreement with IESC will be modified to add the Trade and Investment Services (TIS) program. The TIS program responds to the need to stimulate the development of joint ventures between Moroccan and U.S. private companies, and the need to stimulate further Moroccan private sector export trade, primarily toward North America. The program will be active in both Morocco and the United States.

The TIS Program consists of two main components: Venture Stimulation and Export Development. The activities planned for each of the components are described in detail in the TIS Proposal, Annex A. A summary description of each component follows:

- Venture Stimulation:** IESC will identify those Moroccan industry sectors and individual businesses which are primary candidates for ventures with U.S. companies. The proposal lists sectors which have been identified for initial investigation. IESC will publicize the TIS program in both Morocco and the United States and will initiate contacts with US and Moroccan industries which show promise for successful partnership. The types of possible joint ventures are described in the TIS Proposal, Annex A. IESC can offer a range of services to support the two parties as they explore further their venture potential. The range of IESC services are listed in Annex A. IESC will be available to provide assistance until the final decision is made on the viability of a proposed joint venture.

- Export Development:** This component will operate like a private sector export marketing company. In Morocco, the TIS staff will identify exportable Moroccan products (Annex A lists products for initial investigation), as well as qualified and committed Moroccan exporters. In the United States, IESC will hire subcontractors. They will be companies in the business of sales representation for overseas exporters. The marketing subcontractors will obtain orders for Moroccan products. After orders are received from the marketing subcontractors, the Morocco TIS staff will follow the progress of the order through the exporter's plant to assure that proper quality and prompt delivery occur in order that the process can be repeated to obtain other orders and ensure viability of the business relationship. TIS assistance will help to overcome possible exporter English language problems, inadequate familiarity with U.S. norms and standards and inadequate sensitivity to delivery schedules. The parameters of the subcontracts and the payment mechanism are outlined in Annex A.

3. Relationship of TIS Program to IESC Traditional Program

The TIS Program has been designed to ensure a synergy with the IESC traditional program of firm-specific export production and marketing assistance. The organizational structure and staffing patterns of the two programs, described in detail in Annex A, are characterized by close coordination between the TIS and traditional IESC programs in Morocco as well as with the IESC TIS staff at IESC headquarters in Stamford, CT.

While the Export Development and Venture Stimulation activities have their specific goals distinct from the traditional program, TIS staff will be trained to identify technical problems hindering exports so as to refer those problems and clients to the IESC traditional program. Similarly, since each traditional project is export oriented, it will furnish TIS an immediate lead for export development and venture stimulation clients.

4. Scope of the IESC Cooperative Agreement

The current Cooperative Agreement with IESC will be amended to incorporate the new responsibilities associated with the implementation of the TIS Morocco program. The responsibility of IESC will be to implement and administer the Venture Stimulation and Export Development components of the TIS program in the most cost-effective and efficient manner, and in full compliance with IESC and AID long-term objectives and short-term performance standards.

Under the modified Cooperative Agreement, IESC will make available its pool of Volunteer Executives (VEs) to identify and contact potential US partners and buyers for Morocco, and to survey, identify and assist potential Moroccan venture partners and exporters. In Stamford and Morocco, IESC will provide professional staff to lead and coordinate the program to assure that follow-up occurs and TIS program objectives are achieved.

At the same time the Cooperative Agreement is modified to add the TIS activity, certain other modifications will also be accomplished. Over the past several years of implementation of the IESC traditional program, both AID and IESC have identified desirable modifications that could improve the activity. These range from a tighter definition of client eligibility to recognition of IESC's lack of duty-free status in Morocco. Since none of these modifications would require a PP Supplement, they are not discussed in detail herein. They are presented and justified, however, in the Project Implementation Order/Technical Services (PIO/T) that will be issued by USAID Morocco and form the basis of the Cooperative Agreement modification to add the TIS activity.

C. Summary of Project Outputs

The outputs under the first two project components remain unchanged. The original Project Paper lists three outputs for the Export Production and Marketing Assistance Component. Two additional outputs stemming from the TIS program are now being added. The five outputs of the Component are:

Original Outputs

1. Management and technical skills will be improved in approximately 130 firms assisted by the IESC.
2. Improved information and services will be provided by the Moroccan Center for Export Promotion.
3. Studies and activities supporting export promotion will be undertaken.

New Outputs

4. 1-3 joint type ventures completed between Moroccan and U.S. private sectors.

5. \$2-4 Million in Moroccan exports developed.

IV. FINANCIAL PLAN

The Financial Plan presented in the original Project Paper is modified as reflected in the two tables which follow.

The original PP (FY 86) contemplated \$2.8 million for the IESC Cooperative Agreement. All but \$220,000 of the \$2.8 million has been obligated to the Cooperative Agreement to date. However, through negotiations with IESC, USAID has been able to identify \$220,000 in overall budget reductions to the Cooperative Agreement. The obligation of funds to the modified IESC Cooperative Agreement will therefore total \$1.5 million (from \$2.58 million to \$4.08 million) and the project (608-0189) authorized LOP cost will rise by \$1.5 million.

The following amended financial plan tables specify proposed changes to authorization levels for component activities.

IESC Cooperative Agreement 608-0189-A-00 6090-00
Private Sector Export Promotion
Project (608-0189)
FY 1989 Authorization and Obligation Amendments
(\$ 000)

	<u>Total Previously Authorized</u>	<u>Authorized this Amendment</u>	<u>Total Previously Obligated</u>	<u>Obligated this Amendment</u>	<u>Total Authorized with this Amendment</u>	<u>Total Obligated with this Amendment</u>
Export Production Project	1,032	20	1,000	52	1,052	1,052
CMPE Advisor	450	(258.3)	350	(158.3)	191.7	191.7
Export Marketing Projects	360	(160)	330	(130)	200	200
Export Development Fund	208	(6.7)	200	1.3	201.3	201.3
IESC Management	710	185	700	195	895	895
Evaluations/Audit	40	0	0	40	40	40
Subtotal	2,800	(200)	2,580	0	2,580	2,580
Trade & Investment Program	0	1,500	0	1,500	1,500	1,500
Total	2,800	1,280	2,580	1,500	4,080	4,080

PRIVATE SECTOR EXPORT PROMOTION PROJECT (608-0189)
FY 1989 Authorization and Obligation Amendments
 (\$ 000)

	<u>Total Previously Authorized</u>	<u>Authorized this Amendment</u>	<u>Total Authorized with this Amendment</u>	<u>Total Previously Obligated</u>	<u>Obligated this Amendment</u>	<u>Total Obligated with this Amendment</u>	<u>Planned FY 90 Obligation</u>
ECI Loan	\$ 8,000	0	\$ 8,000	\$ 8,000	0	\$ 8,000	0
Export Pre-Financing Loan	\$ 8,000	0	8,000	4,500	0	4,500	3,500
SMAEX T.A. Contract	1,100	206.864	1,306.864	1,306.864	0	1,306.864	0
Original IESC Coop. Agree.	2,800	(220)	2,580	2,580	0	2,580	0
IESC TIS Program	0	1,500	1,500	0	1,500	1,500	0
Evaluations/Audit	100	0	100	100	0	100	0
Contingency	<u>0</u>	<u>13.136</u>	<u>13.136</u>	<u>13.136</u>	<u>0</u>	<u>13.136</u>	<u>0</u>
	20,000	1,500	21,500	16,500	1,500	18,000	3,500

V. PROJECT IMPLEMENTATION

A. Implementation Arrangements

1. Role of USAID in oversight

Under the modified Cooperative Agreement the role of USAID will actually be reduced. The original Project Paper outlined two major roles for USAID in the implementation of the IESC Cooperative Agreement. The first, related to the monitoring of the IESC advisor at CMPE, will no longer apply, since this activity has been completed. The second, related to the review and approval of individual activities under the IESC on-going program, will only apply to activities that fall outside of revised, more restrictive eligibility criteria which will be established in the modified Cooperative Agreement. Experience during implementation has shown that USAID approval of most activities has not been necessary, but time consuming on USAID's part. Consequently, individual activities under the TIS program also will only require USAID review and approval to the extent that they fall outside the tight eligibility criteria established in the TIS Proposal (Annex A).

At the start of the TIS activity, however, USAID will play an active role in approving in advance: i.e., model subcontractor agreements and fee schedules establishing client contributions for Moroccan exporter and joint venture candidates. Once this period of intensive USAID involvement has passed, however, the role of USAID will be dramatically reduced.

2. Methods of Implementation and Financing

The current obligation of \$1,500,000 will be added to the existing Cooperative Agreement with IESC. All payments under this amendment will be made directly by AID. Please see the following Table for the breakdown of methods of Implementation and Financing:

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approx. Amount (US \$000)</u>
T.A. Coop-Agreement	Direct Pay	1,500

Role of GOM

The TIS program will maintain a working relationship with the Moroccan Center for Export Promotion (CMPE), the GOM's principal institution for promoting exports. However two years of A.I.D. funded technical assistance to CMPE convinced USAID that exports can be better promoted through direct assistance to the Moroccan private sector. Therefore CMPE will not have a direct role in the implementation of the TIS Morocco program, but will instead serve as a resource in the development of the program. \$45,000 has been set aside in the TIS budget to help CMPE participate in several trade fairs, accompanied by TIS staff. It is hoped that both TIS and CMPE will benefit from this cooperative arrangement.

There will be no further implementational role for the GOM under the amended Cooperative Agreement. Despite the fact that IESC activities are funded directly by USAID and do not fall under either of the two Project Agreements signed with the GOM, the government has taken a keen interest in the TIS program. The program, in fact, responds directly to repeated GOM requests for AID assistance to help reduce the 5 to 1 trade deficit running in the favor of the United States. For this reason, it can reasonably be expected that the GOM will monitor the overall impact of the TIS activity, although there is no reason to believe that day-to-day monitoring will take place on the part of the GOM.

B. Implementation Schedule for TIS Program

April 1, 1989	Start of TIS activity
April 1- Aug. 15	Hire Casablanca staff
Sept. 15	Sign up first Export Development client
Oct. 1	First export created
Oct. 15	First VE arrives for Sector Survey
Nov. 1	USAID approval received for model subcontractor Agreement and fee schedules
Nov. 15	First Subcontractor Agreement signed
Dec. 1	First Venture Stimulation Client Agreement signed
Dec. 15	Second VE Sector Survey
Jan. 1, 1990	Second Subcontractor Agreement signed
Feb. 15	Third VE Sector Survey
March 1	Third Subcontractor Agreement signed
April 15	Fourth VE Sector Survey
April 30	First Venture signed

C. Procurement Plan for Goods and Services

Two vehicles: The Project Paper provides for the procurement of vehicles and a waiver was approved for four vehicles. Only one vehicle has been procured to date. This vehicle was purchased for use under the Export Credit Insurance component. Two additional vehicles will be purchased under the modified Cooperative Agreement for the TIS program. The vehicles will be used for in country travel of TIS staff. It is planned that vehicles procured under the Cooperative Agreement will be locally manufactured or assembled, if IESC is not able to obtain duty-free status. No additional vehicle waivers are necessary at this time.

Promotion Materials: Promotional brochures will be prepared or purchased for use in the Ventures Stimulation component of the TIS program. It is intended that all items will be purchased from either the United States or Morocco. If any necessary items cannot be purchased from one of these two sources, a waiver will be prepared, if necessary. Purchase of all goods and equipment will be the responsibility of IESC, who will follow the procurement rules set forth in the Cooperative Agreement.

D. Monitoring Plan

The Private Enterprise Office in USAID Rabat will continue to be responsible for monitoring the overall progress of the IESC Technical Assistance component. The Regional Legal Advisor, the Regional Contracting Officer and the Controller will also assist in specific aspects of project monitoring.

Oversight and monitoring responsibilities rest with the Private Sector Project Officer. In carrying out these responsibilities the Project Officer will hold frequent informal meetings with the IESC, TIS Country Director and will visit project sites as appropriate.

In addition to regular informal contacts between project officers and IESC TIS staff, a number of formal reports will be submitted to USAID. These reports will provide additional information on the progress of the TIS program.

1. Quarterly Status Reports: The reports will consist of a) copies of all client agreements signed during the quarter and b) oral reports presented to USAID Morocco Project Officer and interested members of the Project Committee, on the progress of the activities. For alternate quarters, IESC will provide to USAID Morocco the same progress reports in written form.

2. TIS Special Report: No later than 6 months prior to the termination of the TIS program, IESC will submit to USAID Morocco a special report regarding the TIS program and IESC recommendations for its continuation beyond the current period of the Cooperative Agreement.

3. Final Report: IESC will submit a final report to USAID Morocco within 30 days following the termination of the Cooperative Agreement.

VI. EVALUATION PLAN/AUDIT

The TIS Morocco program will be evaluated at least once, and possibly twice, during the period remaining in the Cooperative Agreement. The evaluation(s) will be carried out at least in part by independent consultants under contract to USAID. It is anticipated that the evaluation(s) will be carried out in conjunction with the evaluation(s) of the other IESC activities under the Cooperative Agreement.

The evaluation(s) will assess the effectiveness of the services provided and the degree to which the TIS program objectives have been achieved. The evaluation(s) will also make recommendations about the future of the Morocco TIS initiative.

The baseline data for the evaluation(s) will be gathered from IESC files. Additional data will be obtained from the reports submitted periodically to USAID.

The Project Paper Evaluation Plan identifies the primary users of information, the questions to be investigated during the life of the project, and the selection of methodologies for answering the questions. These provisions remain applicable to the evaluation of the TIS program.

A financial and compliance audit of activities under the Cooperative Agreement will be conducted by an independent auditing firm under the Direction of the Regional Inspector General/Dakar. The "Non-Federal Audit" is to be conducted after one year of IESC activity under the Project Paper Supplement No. 1.

Existing funds budgeted in the current Cooperative Agreement (\$40,000) will be used to a) evaluate activities of the TIS and Cooperative Agreement and b) finance the costs of the Non-Federal Audit.

VII. UPDATE OF PROJECT ANALYSES

A. Institutional Analysis Update

The original IESC activity involved two institutions: the Centre Marocain de Promotion des Exports (CMPE) and the International Executive Service Corps (IESC). With the addition of the TIS activity, the role of the CMPE is considerably reduced and that of IESC expanded. These changes are described below.

1. Centre Marocain de Promotion des Exportations (CMPE)

CMPE, the Moroccan Center for Export Promotion, is the principal Government office responsible for promoting exports of Moroccan industrial and agro-industrial products. CMPE was established in 1976 but did not become operational until 1980 when resources were made available. The Center reports to the Ministry of Commerce and Industry.

As pointed out in the PP Institutional Analysis, p. 68, CMPE faces a number of constraints due to its public status. It is dependent on budget allocations for its funding and staff resources. Consequently, CMPE officials believe that they do not have a sufficient budget to undertake the activities nor do they have the staff required to carry out CMPE's mandate. The situation is further compounded by bureaucratic burdens which detract from CMPE's export promotion objective. After two years at CMPE, the IESC long-term advisor concluded that only a small percentage of CMPE activities result in export promotion and that exports can be better promoted if technical assistance is provided directly to the Moroccan private sector.

While CMPE will not play an active role in the implementation of the TIS activity, the TIS Morocco program will establish a working relationship with CMPE. The CMPE is a resource which can be very helpful to the TIS Venture Stimulation and Export Promotion efforts. CMPE has broad knowledge of and contacts with Moroccan industry and occasionally receives inquiries directly

from U.S. buyers. The most likely form of cooperation will be to help CMPE financially to participate in US trade shows in exchange for TIS use of CMPE staff and industry knowledge, on an as-needed basis. CMPE would refer Moroccan exporters interested in doing business with the U.S. and inquiries from U.S. buyers to TIS. The TIS budget includes funding (\$45,000) to assist CMPE to carry out that part of its export promotion mission that can also benefit TIS efforts.

2. International Executive Service Corps (IESC)

IESC, a U.S. not-for-profit corporation, offers executive, managerial, and technical services in developing countries. Drawing on a skills bank of almost 10,000 retired executives, it has completed more than 9,000 projects in over 70 different countries. IESC's prior experience with A.I.D. projects is documented in the original Institutional Analysis of the Project Paper (p.69). IESC began its operation in Morocco in 1984 under a regionally funded program. Since then it has played an increasingly important role in USAID Morocco's private sector activities.

Under the Private Export Promotion Project, IESC has been providing its traditional technical assistance service to individual firms and a long-term advisor at CMPE. IESC projects have been effectively administered and the IESC has become well known and respected in the Moroccan business community. The traditional program has completed 6 projects in 1986, 36 in 1987 and 25 in 1988. As a result of the long-term advisor spending the last two years with CMPE, IESC has broadened its experience in export development, investment and licensing development in the Moroccan context. The experience gained to date provides a sound basis for the development of the Trade and Investment Services (TIS) program for Morocco.

The Institutional Analysis of the original Project Paper anticipates the expansion of IESC services to include a Trade and Investment Services (TIS) activity. IESC has been developing its TIS program since 1984, when it was requested by A.I.D.'s Latin America/Caribbean Bureau to carry out a program in Latin America designed to encourage the establishment of new types of co-ventures between enterprises in the Caribbean Basin and U.S. firms. In 1988, IESC received funding from A.I.D. Washington, Private Enterprise Bureau (PRE) for a four-country, two-year pilot program to cover the U.S. costs of backstopping mission TIS programs from IESC headquarters in Stamford, CT. Morocco has been identified as a country participant in this PRE, IESC TIS initiative.

B. Financial Analysis Update

The original Project Paper did not make financial benefit projections for the Export Production and Marketing Assistance Component of the project. Income from the investment in export promotion and venture stimulation activities cannot be predicted with sufficient accuracy. This is probably why the original Project Paper did not attempt to estimate a financial cost-benefit. Therefore, a revised financial analysis is not required for this PP Supplement.

C. Economic Analysis Update

The economic appraisal of the project in the original Project Paper considered the Export Production and Marketing Assistance Component as a benefit added to the existing financial and institutional support system for Moroccan exporters. However, the analysis acknowledged that "although export promotion mechanisms have been studied often and in considerable detail, empirical guidance for linking such support to improved export performance remains scant". Therefore "a high degree of uncertainty (is) involved in estimating both costs and benefits (p.74)."

The original Economic Analysis does not identify the specific costs and benefits associated with the Component. The benefits derived from the expanded activities can however be described in a general manner: the Component will reduce the risk and cost associated with the production and marketing of Moroccan exports for the international market. Nevertheless, it is expected that the TIS activity will result in the development of 1 to 3 joint-type ventures and two to four million dollars worth of exports over the life of the activity.

D. Technical Analysis Update

1. General

As documented in the original Technical Analysis in the Project Paper (p. 79), Morocco has adequate human and technical resources, a well-established industrial base and raw materials which provide it with opportunities to export successfully. While Moroccan exporters have traditionally been oriented toward the European market (concentrating on France and Belgium), Morocco is well-positioned geographically to increase exports throughout the European market, as well as the Middle East, Sub-Saharan Africa and North America. Morocco has made a commitment to an export orientation, undertaking a series of fiscal, monetary and institutional reforms to support an industry-led structural adjustment. Therefore, the climate in Morocco today is particularly suitable for a program such as TIS.

2. Key Constraints

The original Technical Analysis identifies a number of constraints to export development in Morocco. It argues that despite the numerous constraints identified, the Private Sector Export Project was technically sound in addressing only a portion of these constraints. The addition of the TIS program to the project reinforces existing project efforts to address the constraints of market access, inadequate management and access to technology.

Among the leading market access constraints is the language barrier. Not knowing English, Moroccan businesses find it difficult to study new markets in non-English speaking countries. Consequently, they lack up-to-date information on how their products should be adopted, packaged, promoted, priced and sold in order to penetrate new markets.

The language barrier also precludes Moroccan exporters from finding their North American counterpart buyers. Likewise, small and medium sized firms in the United States are unaware of possible business opportunities involving Moroccan firms. Morocco is largely an unknown country in the United States. Considerable time and effort is needed to convince initially skeptical potential US buyers and partners that Morocco is a suitable country for sourcing products and undertaking international ventures.

3. Project Assistance

By addressing the special needs of individual firms, IESC will continue to address production and marketing constraints to export development. IESC volunteers will explain and demonstrate new methods of production, management and marketing. They will also provide advice and information on technologies that are new to Moroccan exporters. The TIS activity will address the need to stimulate the development of joint equity, licensing and subcontracting ventures between the Moroccan and U.S. private sectors, as well as the need to develop Moroccan private sector export trade, primarily towards the United States.

E. Social Soundness Analysis Update

The beneficiary group identified in the original Social Soundness Analysis remains unchanged with regard to the introduction of the TIS program. Moroccan private sector exporting firms will continue to be the major direct beneficiaries. Their employees and suppliers will also benefit from TIS activities. Incomes of workers, notably women, will be positively affected by the increased exports and investment resulting from TIS activities.

The choice of Casablanca as base for IESC, including the TIS program, is justified for the same reasons identified in the original Social Soundness Analysis.

The original project was found socially sound because it is designed to encourage the development of Moroccan entrepreneurship and, at the same time, spread the benefits to a broad group of recipients from all social strata. The TIS program, being designed to produce the same results, is therefore socially sound for the same reason.

F. Environmental Analysis Update

Due to a prior administrative oversight, this project has never received any Agency environmental review or clearance. However, upon review by the Mission environmental officer and regional legal advisor, USAID believes that this project and amendment warrant a categorical exclusion from AID environmental review requirements pursuant to sections 216.2(C)(1)(i) and (ii) of the Agency Environmental Regulations. Specifically, the project funds technical assistance (see 216.2.C.2.i), provides financing through intermediate credit institutions (see 216.2.C.2.x) and helps capitalize an

export credit insurance program. Thus, none of the AID-financed activities have any effect on the natural or physical environment. In addition, the project is designed so that for all components, AID does not have knowledge of or control over the details of specific activities undertaken with AID financing.

ANE concurrence with the recommended categorical exclusion for the original project and the activity under the PP Supplement has been obtained from the Acting Bureau Environmental Coordinator (see Annex E).

A N N E X A

IESC PROPOSAL
FOR
TRADE AND INVESTMENT
SERVICES
(T I S)
ACTIVITY

INTERNATIONAL EXECUTIVE SERVICE CORPS

A PROPOSAL FOR

TRADE & INVESTMENT SERVICES

T I S

SUBMITTED TO

U S A I D M O R O C C O

June 26, 1989

TABLE OF CONTENTS

	<u>Page</u>
I. EXECUTIVE SUMMARY.....	1
II. BACKGROUND - PROBLEM.....	2
III. TECHNICAL APPROACH.....	6
IV. ORGANIZATION.....	13
V. ECONOMIC BENEFITS TO MOROCCO.....	15
VI. CLIENT CONTRIBUTIONS.....	17
VII. C.M.P.E.....	18
VIII. CLIENT ELIGIBILITY.....	19
IX. REPORTING AND EVALUATION REQUIREMENTS.....	20
X. BUDGET.....	21

APPENDIX:

1 - VENTURE STIMULATION DEFINITIONS

2 - ORGANIZATIONAL CHART

3 - AID WASHINGTON BUDGET

4 - USAID RABAT BUDGET

TRADE AND INVESTMENT SERVICES (TIS) PROPOSAL

FOR MOROCCO

I. EXECUTIVE SUMMARY

The International Executive Service Corps (IESC) proposes to amend the Cooperative Agreement no 608-0189-A-00-6080-00 in order to establish and manage a Trade and Investment Services (TIS) Program for Morocco.

This program will respond to the need to stimulate the development of joint equity, licensing and subcontracting ventures between the Moroccan and foreign private sectors (especially the US private sector), as well as the need to develop Moroccan private sector export trade, primarily toward North America. For several years IESC has been providing its traditional service in developing countries - (Volunteer Executives installed in private sector companies for 2 - 3 months in order to transfer their business experience to their developing country counterparts).

Because the needs of developing countries have grown more complex, it has become increasingly apparent that IESC's traditional program, successful as it is, can be augmented with a new program responsive to these needs.

IESC has been developing its TIS programs since 1984, and has recently received funding (Cooperative Agreement no PDC - 0013-A-00-8160-00) from AID Washington, Private Enterprise Bureau (PRE) for a 4 country, 2-year pilot program to cover the US costs to backstop in-country TIS programs from IESC headquarters in Stamford, CT.

Morocco has been identified as a possible country participant in the PRE, IESC TIS initiative. In order for Morocco to participate, the USAID Morocco Mission must authorize and fund a counterpart activity to finance in-country costs. Additionally, the Moroccan TIS program will include an export marketing component.

The following proposal outlines the objectives of the Morocco IESC, TIS program and recommends an April 1, 1989 - 30 June 1991 duration to coincide with the completion of Cooperative Agreement No. 608-0189-A-00-6080-00. The cost of this proposal is \$ 1.5 million for the 27 month program. These funds are additional to the AID W, PRE funds.

II. BACKGROUND - PROBLEM

As a result of knowledge gained by IESC and AID over the last few years, it is evident that the development of Moroccan-American private sector business relations, especially on the Moroccan side, has been limited.

The causes are mainly historical, but change is in the air. The causes are: dependence on the use of the French language for international commerce; local market orientation of business effort; production cost efficiency problems due to prior import substitution investment policies; limited export effort mainly to France; wide-spread Moroccan government control of businesses with attendant cost penalties such as excessive labor inputs per unit of production caused by socially-oriented employment policies as well as a bureaucratic (versus entrepreneurial) management approach to business decision making; and poor quality business education, resulting in inadequately trained commercial staff with limited export marketing skills.

In the US, smaller and medium size firms are unaware of possible business opportunities involving Moroccan firms. In most cases, US firms lack knowledge on effective access to Morocco and assistance in finding non-traditional ventures such as tri-country ventures, licensing and production sharing (see Appendix I for definitions).

All these conditions are changing as international realities are now keenly understood by US and Moroccan authorities, and are further emphasized by the counsel of the IMF, World Bank, UNDP, AID and the lending organizations of the EEC, US, W. Germany, Britain, Japan and Arab countries.

Today, Morocco looks outward in developing its economy. Tourism and other exports is the fastest-growing segment of the economy. Morocco has recently amended its investment code in order to compete more effectively for foreign investment.

English language lessons are a growth industry for the Moroccan private sector. The country is now re-orienting itself, and seeks American and other non-traditional foreign involvement in the development of its economy.

Coincident but independent from the above, IESC has been developing its TIS program for some years in modest pilot project efforts in Latin America and is now prepared for more ambitious programs that can be adapted to USAID Mission goals.

With support provided by AID Washington, approximately \$160,000 will be provided over a 2-year period for the Moroccan part of the up to 5 country program. These funds will pay for the US costs and the costs of travel to Morocco of IESC Volunteer Executives (VE) and IESC Stamford staff personnel in order for them to assist companies to link together in joint ventures, subcontracting, licensing or other cooperative venture activities.

In Morocco, in addition to the need to stimulate venture connections, there is as strong, if not a stronger need for help in export development.

There are many Moroccan companies which make exportable products or, with product adaptations and improved production efficiency, could make exportable products, but which cannot presently export to North America.

W H Y?

A. Language

If you don't speak English, you can forget exporting to North America, except for Quebec province, parts of Louisiana, Epcot Center, and the small Moroccan community scattered across the continent.

B. Export Marketing

Not knowing the language, Moroccan businesses cannot study US and Canadian markets; hence they do not know how their products should be adapted, packaged, promoted, priced and sold in order to penetrate the US and Canadian markets. In the food products' area, for example, Moroccans are either only vaguely aware, or are unaware, of USFDA and USDA requirements regarding food imports into the United States.

C. No Connections

Going back again to the language and marketing problems, Moroccan exporters cannot find their North American counterpart buyers. In effect, there is an "export marketing gap" between otherwise competent Moroccan exporters and otherwise willing US or Canadian buyers.

A significant part of the TIS program will address this "gap" problem. Further evidence of the Moroccan need for export development help is provided by the World Bank Report 6537-MOR, 4 March 1987, "Staff Appraisal Report - Morocco - Industrial Export Finance Project" Pg. 12: "There is a clear need to promote and support the creation and expansion of export promotional activities and trading companies to help small and medium-size exporters develop contacts abroad, to ensure that connections with established markets are strengthened and diversified, to help penetrate new markets, and to provide the guarantees and security needed in international trade operations".

WHAT DOES IESC BRING TO THE PROPOSAL?

A. Country Knowledge

IESC has been active in Morocco since 1984. Presently, its traditional program is quite successful, having completed 6 projects in 1986, 36 in 1987 and 25 in 1988.

Excellent relations have been established with many Moroccan exporting companies, much knowledge has been gained about the local economy and its export potential; the IESC Advisory Council (comprised of top Moroccan businessmen) actively provides guidance, insights, entree and assistance to IESC in Morocco. The Council has been vociferous in requesting further IESC assistance in export development and venture stimulation, and enthusiastically supports the concepts of this proposal.

B. Volunteers Executives (VEs)

A known international asset after nearly 25 years of providing help to developing nations, IESC's VEs can now be used not only for their traditional 2-3 month projects in a developing country private sector company, but also for export development and investment stimulation work, both in the United States and in developing countries.

Today, there exists a US nationwide network of IESC VEs available in all major cities to identify and contact potential US partners and buyers for Morocco. VEs will be available to visit Morocco to survey, identify and assist potential Moroccan venture partner companies, as well as exporters.

C. Professional Staff

Both in Stamford and Casablanca, IESC has or can secure professional staff available to lead and coordinate the program to assure that follow-up occurs to gain results. The Casablanca staff is bilingual, and the TIS Stamford staff has French language capabilities.

As a result of an IESC employee spending the last two years with CMPE (Moroccan Center for Export Promotion) in a USAID IESC effort to assist the Moroccan government's export promotion activities, IESC has the possibility to retain an experienced export development employee to implement this proposal. This employee also has prior experience in investment and licensing development.

Additional staff will be added in Stamford and Casablanca to carry out the TIS program in a manner that helps assure a steady flow of demand for technical assistance through IESC's traditional program.

C. Connections

IESC is probably better placed than any other US organization to open doors for those Moroccan businessmen sufficiently astute to use IESC's TIS capability. The availability of ten thousand VEs means the availability of a lifetime of one man or woman's business connections multiplied by 10,000.

One way or another, the VE network, properly used, can open doors in almost every significant US industry and company. IESC is also collaborating with a variety of associations and ten state development agencies.

E. Cost Savings

Volunteers cost less than more traditional AID contractor services. The availability of IESC's VEs makes it possible for Moroccan businessmen to gain low cost access to US partners and buyers.

F. Knowledge

The cumulative VE IESC staff knowledge about US industry is probably unsurpassable. IESC's local knowledge about Moroccan business capability is surpassed by no other independent US entity.

G. Business Skills

All IESC people, whether volunteer or paid, are card-carrying businessmen; who better to assist Moroccan and American businessmen to connect, than members of the same fraternity, practitioners of the same art?

III. TECHNICAL APPROACH

The TIS Program in Morocco would consist of two main components: Venture Stimulation and Export Development.

A. Venture Stimulation (see Appendix 1 for definitions)

- | | |
|-------------------------------|------------------------|
| 1- Traditional Joint Ventures | 5- Production Drawback |
| 2- Co-Ventures | 6- Licensing |
| 3- Tri-country Ventures | 7- Franchising |
| 4- Co-Marketing | 8- Sub-contracting |

IESC will use its TIS Casablanca staff and Volunteer Executive industry experts to identify those Moroccan industry sectors and individual businesses which are primary candidates for ventures with US companies. IESC also will seek advice on sectors and individual businesses from diverse Moroccan institutions, such as the Chambers of Commerce, IESC's Advisory Council, the many industry associations, ODI, (the Moroccan government's investment development organization), CMPE (Moroccan Center for Export Promotion), US Embassy, Consulate, OPIC, AID and other organizations similarly engaged in assisting Moroccan private sector economic development.

Conversely, IESC, using its Stamford staff and VE network, will identify many US sectors and individual businesses which could become candidates for linkage with Morocco. In short, IESC's approach allows the program to respond to specific Moroccan opportunities while also working from the United States to bring joint ventures and technology opportunities to Morocco.

It should be noted that IESC will be able to identify US sectors and businesses that must "go overseas" in order to continue their business growth. These companies, usually seeking lower costs in order to maintain competitiveness or to gain access to overseas markets, are not necessarily thinking of Morocco. Morocco to them is largely an unknown country. Much time and effort must be spent in the United States to convince initially skeptical potential US partners that Morocco is a suitable country for international ventures.

Morocco's advantages must be sold and US companies must be assisted in developing business strategies that can benefit from:

1. Stability of government.
2. Modern investment law allowing repatriation of profits and capital.
3. Investment incentives.
4. Low cost labor and surplus of university graduates.
5. Benign southern California climate.
6. Proximity to European and African markets - a bridge between European and Islamic cultures.
7. Nearness to the United States, 7 hours by plane. Nearer to the United States than all European countries, other than Portugal, England, Ireland and Iceland.
8. Historic Morocco American relations. Diplomatic relations since George Washington's presidency.

IESC will initiate contacts with US and Moroccan industries to convince the individual parties of the TIS capability to find desirable partners, assist in business planning and even offer assistance in starting new ventures in Morocco.

Publicity will be sought for the TIS program, both in Morocco, Canada, Europe and the United States. Brochures explaining the program will be developed in Arabic, English and French for Moroccan and US use. Newsletters, financed by the AID Washington PRE Cooperative Agreement, will be used to build a US constituency. Sectors and individual businesses in Morocco and the United States will be identified on a continuous basis.

Sectors to be initially investigated for venture stimulation work are listed on p. 11 and products to be initially investigated for export development activities are listed on pages 16 and 17.

The selection of sectors and products is based on experience gained since October, 1986 when an IESC staff member joined the Moroccan government export promotion center (CMPE) and began assessing the export potential of Moroccan products, especially for the US and Canadian markets.

During the period, more than 200 Moroccan companies, many Moroccan trade associations, several Moroccan government offices and over 100 US, Canadian and European importing companies were contacted. Additionally, IESC's Casablanca staff has contributed information on Moroccan exporters and sector potential.

The primary methods used to select sectors and exportable products have been as follows:

1. First-hand knowledge of successful experiences in securing US and Canadian orders for Moroccan products gained at CMPE (olives, frozen fish, green beans, cous cous, briar wood, carved jewelry).
2. Knowledge of existing Moroccan exports to the US and Canada which can be increased by a stronger marketing effort (anchovies, capers, agar agar, herbs and spices).
3. Knowledge of Moroccan exports to other countries which implies that the products should be exportable to the US and Canada (sardines, wine, artisanal products).
4. General commercial knowledge about sectors and products where no significant exploratory work has been done but which should reveal potential once work commences (tourism, escargots, porcelain and ceramics, sub-assembly).

Most sectors and products share a common low labor cost characteristic, many are agriculturally oriented and most are not in high tech industries. In general, products selected should tend to be relatively unique to Morocco so as to minimize competitive pressures and many of the products should be GSP items in order to give Morocco a competitive advantage (artisanal items, cous, cous, anchovies, green beans).

The sectors and product listings will be continuously updated as more and more commercial information on export potential is developed. IESC is convinced that Morocco has additional but as yet undiscovered export potential. As an example, in February 1989 an ABLE market research study identified US potential for a Tangier company manufacturing abrasive papers. The Tangier company has indicated that it will seek a US marketing connection thus potentially setting up a TIS Venture Stimulation project.

SECTORS

1. AGRICULTURAL INDUSTRIES

Essential oils, spice oleoresins and essences for perfumes and flavors
- Production

Fruits and vegetables, excluding citrus, palm oil and sugar
- Farming, conditioning-packaging, dehydration, and canning
Examples of farming are growing tomatoes, peppers and leeks for on-site dehydration and packaging for export.

Fish and sea products
- Fishing; freezing, cold-storing and canning

Herb and Spices such as coriander, garlic, mint, rosemary and saffron
- Conditioning and packaging

2. ELECTRONICS

Production, sub-contracting and assembly

3. MINING, MINERALS

Mining, quarrying, processing and refining
Examples of Mining are the extraction of copper, lead and zinc for export, marble and granite will also be investigated.

4. PHARMACEUTICALS

Such as antibiotics, aqueous solutions, suppositories and tablets, surgical dressings.

5. SUB-ASSEMBLY

Such as auto parts, electrical fittings, transformers.

6. TOURISM

Hotels, tourist villages, restaurant chains, sporting facilities, entertainment centers, (sailing, surfing, tennis, golf, skiing, hunting, fishing, hiking and back-packing).

As individual requests for assistance (Moroccan or American) from eligible clients (see VIII - Client Eligibility) are received, IESC, using its VE network and staff in both countries, will identify appropriate potential counterpart partners for the contemplated venture. Initially, IESC will introduce the parties by letter, telex, telefax or telephone, but ultimately by person-to-person meetings in the US or Morocco, or both countries.

It must be emphasized that helping to make ventures happen is frustrating. It can be compared to organizing a blind date. You have to drive the car, order the meal and even review the evening! The intermediary knows both parties and thinks he or she has brought the right people together, but inevitably the two parties, not the intermediary, decide whether a romance will begin, and they, most certainly not the intermediary, decide whether a marriage will occur. There is a certain chemistry which must be right, or no amount of TIS assistance will prevail.

Notwithstanding the above disclaimer, IESC will participate each step of the way after introductions to bring the initial contact, hopefully, to a successful conclusion.

IESC can offer a range of services to support the two parties as they explore further their venture possibility. At this point, each venture takes on its own uniqueness, and it is not possible to outline a complete scenario from beginning to end that fits all cases. Listed below are the range of services IESC can provide in a most typically used sequence:

1. Market research - American Business Linkage Enterprise (ABLE). This is a computer-based market research tool presently available through IESC headquarters.
2. Assistance to potential Moroccan partners on visits to the US
3. Assistance to potential US partners on visits to Morocco
4. Identification of, and introduction to, potentially needed support service organization both in the US and in Morocco. Examples are legal, accounting and financial services.
5. Assistance in negotiation of venture agreements
6. Assistance in planning new ventures (traditional IESC activity)
7. Start-up assistance (traditional IESC activity)
8. Technical assistance to the new venture (traditional IESC activity).

These services would be offered to clients only on an as needed and pay-as-you-go basis.

What is important to note is the IESC intention to participate until a conclusion, go or no go - hopefully a go - decision is reached. Finally, the TIS venture stimulation effort will be sensitive to and cooperative with other US and Moroccan governmental initiatives to stimulate ventures in Morocco, i.e., to internationalize Moroccan economic development. Specifically, TIS Morocco would welcome an OPIC initiative and willingly lend its best offices to assist.

As a specific example, there is a possibility that OPIC, responding to a GOM request, will initiate a program to stimulate US and Moroccan joint-ventures. Should this occur, OPIC might conclude that TIS could assist with contacts, industry knowledge and follow-up help. Should OPIC want some assistance, TIS would be available. US Embassy Rabat Economics Section personnel have already expressed a keen interest in OPIC-TIS cooperation.

B. Export Development

The export development component will operate somewhat like a private sector export marketing company. IIS Casablanca staff, assisted by VEs, will identify exportable Moroccan products, as well as qualified and committed Moroccan exporters. Exporter qualifications can be determined by understanding their existing export achievements, by evaluating their plans for future exports and by experience working with them.

In the United States, IESC will identify and appoint marketing subcontractors. They will be companies in the business of sales representation for overseas exporters. Their job is to obtain orders, the sine qua non of export development work! Normally, they work on a commission basis payable as a percentage of the value of each order successfully solicited, shipped, invoiced and paid. They will not be employees of IESC nor VE's.

The selection of marketing subcontractors will be accomplished by IESC using its standard competitive procedures for appointing subcontractors. Subcontracts will be based on the following parameters:

1. Defined Products: For example--canned and bulk olives, canned and bulk capers, bottled pickles and bottled pimento.
2. Defined territory: For example--Metropolitan New York, Long, Island, New Jersey, southern Connecticut and Westchester County.
3. Defined Duration: For example--one year renewable unless terminated earlier for inadequate performance.
4. Sales Goals: For example--sales shall exceed \$200,000 in six months, \$500,000 in first year.
5. Limitation of representation: Subcontractor will have no authority to represent IESC as an agent nor to bind IESC or the exporter to anything.
6. Defined Duties: For example--solicitation of orders, submission of samples and quotations, follow-up order confirmation and follow-up on customer payments.
7. Definition of Progress Payments: For example--payment can be based on the numbers of products to be marketed, the definition of sales goals and the man months required to achieve the sales goals.

Although IESC can not precisely define the exact nature of the subcontractor agreements until they are negotiated, the plan is to offer a fixed type contract based on a predefined amount of work to be accomplished in a fixed time period, further defined by identified sales goals to be achieved during the same period. The fixed compensation will be supplemented by normal commercial commissions paid by the beneficiary exporter. The fixed compensation portion of the package is designed to cover the subcontractor's

costs associated with taking on the TIS work, while the commission portion is designed to reward the subcontractor for actual results, i.e. actual exports created.

Once orders are received from the marketing subcontractors, the Casablanca TIS staff will follow the progress of the order through the exporters plant to assure that proper quality and prompt delivery occur in order that the process can be repeated to obtain a second order, which signals that a continuous business relationship has been established. Casablanca TIS staff assistance will be required due to possible exporter English language problems, inadequate familiarity with US norms and standards and inadequate sensitivity to delivery schedules.

Initially, the marketing subcontractor(s) will concentrate its effort in the New York Metropolitan area because the New York City, New Jersey, Westchester County, southern Connecticut and Long Island area is the single largest US market, and is easily accessible. The New York area market is also the closest to Morocco for maritime and air shipments.

Thereafter, the sales effort will spread out across the nation. The primary sales tool will be one-on-one seller and buyer meetings preceded and followed up by telephone, telex and telefax contact. Secondary tools, such as direct mailings, advertising in specialized trade journals and participation in fairs and exhibitions, will be used as deemed effective by the IESC and the marketing subcontractor(s) to supplement the marketing effort.

Further effort will occur as a result of frequent US visits by Casablanca TIS staff and the Moroccan exporters themselves. TIS Casablanca will encourage and promote as much Moroccan participation as possible in the export development effort. The costs of exporter visits to the United States will be entirely for the exporters account. No TIS funds will be used.

IESC will also seek to arrange for buyer's agent relationships with US importing firms which seek such services. Some US importing companies, such as PIER I and J.C. PENNEY, pay commissions or fees to in-country intermediaries, which can identify suitable manufacturer-exporters and handle the necessary arrangements to place and follow orders. In selected cases, the Casablanca staff may be used for such work. All fees earned would flow to the IESC special account for fees and not to individuals.

The sectors and products to be emphasized initially for export development are listed below. The selection criteria are the same as those identified on pages 9 and 10.

ARTISANAL

BRASS, COPPER DECOR ARTICLES
CARPETS, KILIMS, HANBELS
CARVED AND HAND-MADE WOOD ARTICLES

CLOTH AND LEATHER BELTS
EMBROIDERY
FOSSIL DECOR ARTICLES

HAND WOVEN CLOTH ARTICLES AND ACCESSORIES

JEWELRY
KAFTANS
MAROQUINERIE
(SMALL LEATHER ARTICLES)
MUSICAL INSTRUMENTS
PAINTED, CARVED WOOD FURNITURE
SCULPTED STONE AND
PLASTER DECOR ITEMS
TILES AND MOSAICS

AUTOMOBILE AND BICYCLE PARTS

COSMETICS - SOAPS AND PERFUMES

FOOD

AGAR AGAR (PROCESSED SEA WEED)	HERBS, SPICES
CANNED PICKLES, GREEN BEANS, ASPARAGUS	HONEY
CANNED PIMENTO	LENTILS, LUPINS
CANNED SARDINES, ANCHOVIES, MACKEREL	MUSHROOMS, TRUFFLES
CANNED TOMATO PASTES AND OTHER	OLIVES, CAPERS
TOMATO PRODUCTS	
CAROB	OLIVE OIL
CIPPOLINA (WILD ONIONS)	SAFFRON
DATES, PRUNES, FIGS, RAISINS	SMOKE PALOMETTE (FISH)
DEHYDRATED VEGETABLES, FRUITS	VINEGAR
ESCARGOTS (SNAILS)	WINE
ESSENTIAL OILS, NATURAL FLAVORS FOR	
PERFUME AND FOOD	
EXOTIC FRUITS	
FRESH, FROZEN FISH AND CEPHALOPODES	

FURNITURE

MARBLE AND GRANITE PRODUCTS

MINERALS

BARITE	MANGANESE
COBALT	SILVER
COPPER	ZINC
LEAD	

PORCELAIN AND CERAMIC PRODUCTS

WOOD PRODUCTS

BRIAR	PECAN
CORK	THUYA
OLIVE	

IV. ORGANIZATION

(See organizational chart Appendix 2)

A. Structure

The TIS Moroccan program will be lead in Morocco by the TIS Morocco Director and in the United States by the Deputy Director of TIS Stamford. In Morocco, the program will be supported by a Moroccan Account Representative and an Administrative Assistant. The Account Representative will be a university graduate in business or economics, fluent in English, French and Arabic, with a minimum of five years of working experience. He will also be selected based on his personal capacity for growth within the TIS organization and subsequently in the Morocco private sector.

In Morocco, the Administrative Assistant will be primarily an inside person who maintains the office and communications as both the TIS Morocco Director and Account Representative are expected to perform most of their work outside. The Administrative Assistant will be expected to cope with significant problems as oftentimes the Assistant will be alone and will be expected to make certain decisions.

In the United States, the Deputy Director of TIS will supervise the Investment Project Officer and the marketing subcontractor(s).

The program in Morocco is the overall responsibility of the Country Director and will be implemented so that it reinforces overall AID and IESC goals. The TIS staff in the US will report to the TIS headquarters group in Stamford which is responsible for recruiting and managing the unique team responsive to the Moroccan TIS and IESC overall goals. This is consistent with IESC's regional and functional structure.

The Moroccan TIS program will also draw on the services of a 2 person US marketing and communications staff that is dedicated to producing the TIS newsletter, articles for industry-targeted publications and various other marketing and communications activities. Specialized accounting and control staff will also be provided in a manner designed to minimize accounting control costs. USAID Washington funds will pay for the newsletter and other communications activities.

The unique aspect of this program is that it is active in the United States and Morocco. Clearly, the principal focus of initiation will be from Morocco, but the TIS staff in Stamford is organized to also identify project ideas from the United States.

B. Relationship of TIS Morocco to IESC Morocco's Traditional Program

The TIS Morocco Director will report to the IESC Morocco Country Director and will coordinate planning and staffing with IESC TIS staff in Stamford. The operation of the TIS program depends on aggressive activity in Morocco and the United States. Investment promotion and export development activities will

result from the identification of needs in Morocco as well as the United States and from ideas developed in Morocco as well as the United States. Nevertheless, export development and investment stimulation efforts will clearly evolve principally from Moroccan client needs.

The TIS activities of IESC in Stamford will be centralized in a functional structure so as to control and direct a staff that serves several countries. Centralized recruitment, training and regular direction ensures that investment promotion, export sales and technical assistance are interrelated to lower cost and improve services to clients. However, the overall regional structure of IESC is based on giving Country Directors a "final say" over all activities operating in their countries. To that end, the TIS headquarters group is responsible - with the Country Director and specialized staff in Morocco - for developing a working strategy that ensures effective action in Morocco and the United States. Most initiatives of the TIS Morocco program will come from Morocco, but certain investment and technology linking programs will come from outreach activities in the United States.

In the course of developing the venture stimulation and export development activities, Casablanca TIS staff will inevitably discover that Moroccan exporters must resolve many technical problems as well as marketing problems in order to export successfully.

Although the export development and venture stimulation efforts are devoted primarily to achieve their specific goals, the TIS staff will be trained to identify technical problems hindering exports so as to refer those problems and clients to the staff of the IESC traditional program. The TIS effort simply by performing its work with an eye sensitive to opportunities for IESC's traditional program can become, as it were, an advance scout for the traditional program.

The converse will also occur; the IESC traditional program staff in performing its work will undoubtedly uncover many opportunities for TIS. Because each traditional project is export oriented in Morocco, it will furnish TIS an immediate lead for export development and venture stimulation clients. Thus synergy is assured. Overall, it is estimated that the TIS effort will identify over 100 leads over the period of the TIS grant, which should be sufficient for the traditional program to obtain annually 6-12 additional traditional projects and thus further assure the success of the current Cooperative Agreement.

V. ECONOMIC BENEFITS TO MOROCCO

A. Venture Stimulation

It is almost impossible to predict the number or magnitude of successful venture stimulation activities which will result from the TIS Morocco Program. However, assuming 3 completed ventures during the life of the grant, mainly in labor intensive export industries - for example, in vegetable canning - assuming \$1 million per project in capital investment, 150 persons per project in job creation, - 450 jobs and \$3.0 million in sales per year could reasonably be created.

B. Export Development

During the life of the Cooperative Agreement, it is reasonable to assume that between \$2-4 million in exports can be developed. It is very important to note that most of the export orders will be initial orders of small magnitude. That \$2-4 million export base, properly serviced after June, 1991, should grow to over \$10 million in exports by 1996. As buyers develop confidence in their new Moroccan suppliers, they will permit an increasing percentage of their purchases to originate from Morocco.

An example of a somewhat similar program exists in Morocco :

GTZ, the W. German counterpart to AID has, since mid 1984, funded two German professionals (one in Casablanca, the other in Bonn), to help Moroccan exporters to find W. German buyers and orders. Their results are listed below:

(DM)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
	(6 mos.)			
Order Value	100,000	1,312,000	5,818,900	10,419,700

C. Fiscal Benefits

Fiscal benefits to GOM would be minimal initially because tax exemptions for new industries and exports would apply. Taxes on salaries of jobs created would be collected, however.

D. Potential Further Benefits

It must be noted that often the development of exports stimulates the creation of ventures.

As US buyers gain confidence in a country and in its economic environment as a result of their successful export experience, inevitably their natural entrepreneurial sense leads them to identify venture opportunities in the exporting country.

For example, a major US importer of Spanish olives has partially converted his previously 100% bulk importing pattern, and now bottles and packs out in Spain much of his olive requirement in a Spanish-American joint venture. The same phenomenon can occur in Morocco.

VI. CLIENT CONTRIBUTIONS

In all cases, both investment stimulation and export development client contributions will be required to demonstrate client seriousness and to earn additional funding for TIS, or no TIS work will be performed.

For export development work, standard industry commissions will be paid to marketing subcontractor firms and an overriding commission to TIS. The commission will be based on orders secured by TIS for Moroccan clients. Commissions will vary with order value and amount of work required to secure orders. Each order and commission pending will be recorded and monitored by TIS Casablanca to secure payments.

For venture stimulation work, fee schedules will be developed by TIS based on the extent of work performed. In both cases, standard client agreements will be prepared to include fee schedules and will be submitted to AID for approval before they start to be used.

Fees collected from venture stimulation client contributions and the overriding TIS commission from export development clients will be deposited into a special account used only to further accelerate the TIS program, by e.g. hiring additional staff, or to cover unplanned expenses, such as taxes and duties which AID can not reimburse. Fees collected from exporter development clients will flow directly to marketing subcontractor firms.

It must be emphasized that in the initial years significant client contributions cannot be expected. Export development orders will be small, mainly trial quantities. Commissions will be modest because they are related to sales volume.

Venture stimulation fees will probably never be sufficient to cover the costs involved. Venture stimulation fees will be sought and clients required to make a contribution to out-of-pocket expenses primarily in order to secure tangible evidence of client seriousness.

In addition to the venture stimulation client fees listed below, TIS will explore, on a case by case basis, the possibility of earning "bonus payments" upon successful completion of a venture agreement. Such payment possibilities would be written into standard client agreements and approved by AID before the agreements are first used.

Anticipated client fee contributions are listed below:

Export Development

-to TIS	\$60,000
-to marketing subcontractors	\$120,000

Venture Stimulation

-to TIS	\$ 20,000
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VII. C.M.P.E. (CENTRE MAROCAIN DE PROMOTION DES EXPORTATIONS)

The Moroccan government export promotion center (C.M.P.E.) is a resource which can be very helpful to the TIS venture stimulation and export development efforts. C.M.P.E. has broad knowledge of and contacts with Moroccan industry and occasionally receives inquiries directly from US buyers. The TIS program will establish a close working relationship with C.M.P.E. and has included funding (\$45,000) in its budget to assist C.M.P.E. to carry out its export promotion mission.

The most likely form of cooperation will be to help C.M.P.E. financially to participate in US trade shows. The funds will be used to pay for exhibit stands, services provided by the Trade Centers, and CMPE staff air transport and per diem. The funds will cover the costs of CMPE participation in three trade shows. TIS Casablanca staff and the marketing subcontractors will also take advantage of these trade show opportunities, using funding provided elsewhere in this proposal.

In exchange for TIS assistance for C.M.P.E. export development efforts, the TIS Casablanca staff will have use of C.M.P.E. staff and industry knowledge on an as needed basis. C.M.P.E. will also refer US-interested Moroccan exporters to TIS, as well as inquiries from US buyers.

It can be argued that TIS will be an equal beneficiary of the C.M.P.E. participation in US trade shows, as TIS will be able to support C.M.P.E. and follow up on the US contacts to pursue actual orders.

VIII. CLIENT ELIGIBILITY

The TIS program will only engage in activities which promote Moroccan exports. As the intent of IESC is to promote Moroccan private sector exports, certain criteria will be used to determine eligibility of firms to be clients of the TIS program. For the export development component, only Moroccan-based firms meeting the following criteria will be eligible:

1. The firm must be at least 51% privately owned.
2. The firm must be more than 51% owned by Moroccans.
3. Irrespective of the above criteria, firms known to IESC not to be in private sector control will be excluded.

For the investment stimulation component, client firms may be either Moroccan-based or foreign based, depending on the origin of the initial request for a prospective joint relationship. If the client is Moroccan based, it must meet the criteria presented above for export development firms. If the client is foreign based, it must meet the following criteria to be eligible:

1. The firm must be at least 51% privately owned.
2. The firm must be more than 51% owned by US interests.
3. Irrespective of the above criteria, firms known to IESC not to be in private sector control will be excluded..

Eligible Moroccan-based clients will only be matched up with eligible foreign-based firms and vice versa.

Assistance to firms not meeting the above eligibility criteria will not be rendered without prior approval of USAID, Morocco.

IX. REPORTING AND EVALUATION REQUIREMENTS

The following reports and evaluations will be required:

A. Financial Reports:

Financial reports covering the TIS program expenditures, whether in Morocco, the United States or elsewhere, will be submitted quarterly to USAID Controller within 30 days following the close of each quarter.

B. Quarterly Status Reports:

IESC will provide USAID Morocco with quarterly status reports no later than 15 days following the end of each fiscal year quarter. This report will consist of:

1. copies of all the client agreements signed during the quarter;
2. oral reports presented to USAID Morocco Project Officer and interested members of the project committee, on the progress of the activities, including accomplishments, problems, follow up action planned and any shifts in strategy based on what has worked or failed in the past.

For alternate quarters, IESC will provide to USAID Morocco the same progress reports but wholly in written form.

C. Trade and Investment Service (TIS) Special Report

No later than 6 months prior to the termination of the Trade and Investment Services Program, IESC will submit to USAID Morocco a special report regarding the TIS program and IESC recommendations for its continuation beyond the current period of the Cooperative Agreement.

D. Final Report

IESC Morocco will submit a final report to USAID Morocco within 30 days following the termination of the Cooperative Agreement.

E. Evaluations

The TIS activity will be evaluated at least once, and possibly twice, during the period of the Cooperative Agreement. The evaluation(s) will be carried out at least in part by independent consultants under contract to USAID. It is anticipated that the evaluation(s) will be carried out in conjunction with the evaluation(s) of the other IESC activities that form the current Cooperative Agreement. It is further anticipated that the existing funds budgeted in the current Cooperative Agreement for evaluation (\$40,000) will be used to evaluate the TIS activities as well as the activities of the current Cooperative Agreement.

X. BUDGET

The major expense in this illustrative budget is personnel costs. It consists of an estimated 6 persons (TIS Casablanca 3 and Marketing Subcontractor(s) 3), the cost of travel of VEs and Stamford staff when in Morocco, and the cost of Casablanca staff when in the United States.

There are no auxiliary personnel in this budget, all individuals are line people that are expected to be producers, either developing exports or stimulating ventures.

The balance of the budget breaks down into prosaic support items, such as rent, communications (telephone, telex, telefax), supplies, postage, equipment and administrative support.

There is no provision to use AID funds to cover any possible IESC Moroccan customs duty or TVA payments. IESC has applied for an exemption from such payments. If, however, payments are required, the monies will come from client fees and commissions or from IESC Stamford funds. Client fees and commissions, which are not passed on to marketing subcontractors, will be held in a special IESC account.

Explanation of Selected Line Items in Appendix 4.

A. Support Expenses - Travel

Morocco

o Venture Stimulation - Sector Surveys: VE + spouse - Per diem 12 trips x 20 days x \$125/day	\$30,000
o Venture Stimulation - Sector Surveys: Casa staff (one person per survey; of the total 12 trips only 6 are anticipated outside the Casablanca and Rabat area) - Per Diem 6 trips x 20 days x \$80	\$ 9,600
o Venture Stimulation: Stamford Staff visit Morocco - Per Diem 4 trips x 10 days x \$80	\$ 3,200
o Venture Stimulation: VEs, Casa and Stamford Staff - Travel in Morocco	\$ 6,500
o Export Development - Casa staff - Per diem 6 trips x 10 days x \$75 - Travel in Morocco	\$ 4,500 <u>\$11,200</u>
TOTAL	\$65,000

USA

- o Travel to U.S. by TIS Casablanca staff will further both venture stimulation and export development activities.

TIS Director 10 trips and Account Rep. 4 trips	
- 10 trips x 10 days x \$100 per diem	\$ 10,000
- 10 trips x \$ 1500 air fare	\$ 15,000
- US transportation (auto, rail, air) 10 trips x \$ 250	\$ 2,500

- o Export Development

- VE travel in U. S.	<u>\$ 8,500</u>
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TOTAL	\$ 36,000
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B. Equipment Casablanca

These items will be purchased in Morocco to ensure maintenance service and compatibility with the Moroccan PTT. Local quotations (without tax):

Fax	DH 28,000 = \$ 3,500
Telex	DH 39,600 = \$ 4,950
Phone (8 lines, 1 central and 6 telephones)	DH 52,400 = <u>\$ 6,550</u>

TOTAL	\$15,000
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C. Autos (2)

The automobiles to be purchased for Casablanca staff use will be the locally assembled Fiat Regatta types or equivalents. 1988 quotations range from DH 85,000 to DH 97,000 (\$10,625 to \$12,125). Should IESC obtain duty free status, lower cost cars may be purchased and imported.

D. Marketing Subcontractors

The underlying funding assumptions are listed below and presume that 4 Marketing Subcontractors will be signed up for an equivalent of four person years per year of sales effort.

Fixed Compensation

Salaries and related at \$35,000 per person year	
4 x \$35,000 x 2 yrs	\$280,00

Office Expense

Four units of Office Expenses at \$13,000 each/year	
4 x \$13,000 x 2 yrs	\$104,000

Travel

To Morocco	
18 trips x \$1,500 air fare	\$ 27,000
18 trips x 10 days x \$75 per diem	\$ 13,500
Morocco transportation (auto, air, rail)	\$ 13,500
In USA	
450 salesman travel days at \$125 per diem	\$ 56,250
USA transportation (auto, air, rail)	<u>\$ 25,750</u>
TOTAL	\$520,000

VENTURE STIMULATION

1) Traditional Joint Venture:

Two companies join together to form a new company, a third entity. The equity contribution to form the new company can be in the form of equipment, other technology or financial resources.

2) Co-Venture:

Two companies enter into some form of agreement other than a joint venture such as a consulting agreement, licensing, distribution or sales representation agreements.

3) Tri-Country Venture:

A joint or co-venture involving participants from three different countries.

4) Co-Marketing

A type of co-venture where two or more companies agree to market each other's products or services.

5) Production Drawback:

Sometimes called license manufacturing, it is usually a co-venture where a Moroccan firm agrees to produce a product or sub-components which are sent to the US for some form of final assembly.

6) Licensing:

A co-venture in which one party supplies technology, trademarks, or other legally protected property in exchange for monetary payments related to licensee sales or income generated from production volume.

7) Franchising:

A co-venture in which one party supplies a complete package of hard and soft technology and sometimes raw material, necessary to start-up a complete business or service which usually also carries the market identification, i.e., trademark of the supplier.

8) Sub-Contracting

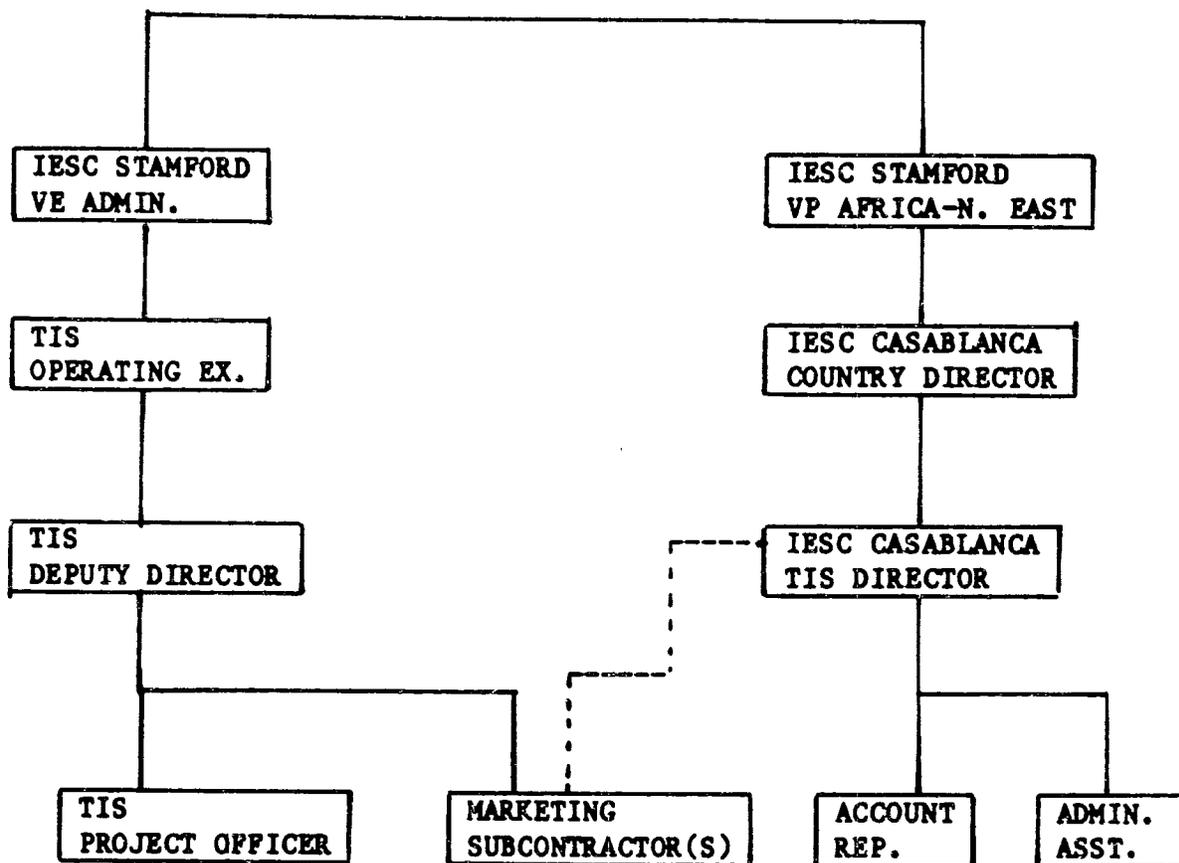
A co-venture involving an agreement by a Moroccan firm to manufacture or provide some other service that may not necessarily be drawn back into the U. S. for further processing or marketing.

All of these types of venture stimulation will have an export impact on Morocco in order to qualify.

ORGANIZATIONAL CHART

T I S MOROCCO PROJECT

I E S C
STAMFORD



----- Functional Control.

MOROCCO SHARE OF U.S. PRE TIS COSTS

(Already funded by PRE - IESC/Stamford Grant)

COMPONENT	YEAR ONE			YEAR TWO		
	DAYS	PRE FUNDS	EQUIV. VALUE	DAYS	PRE FUNDS	EQUIV. VALUE
I.						
Value of Donated VE Services						
a) \$400 per day	120	\$ 0	\$48,000	200	\$ 0	\$64,000
II.						
TIS Operating Exec.						
\$250 per day	15	\$ 3,750		18	\$ 4,500	
TIS Investment Project Officer	107	\$15,000		107	\$16,500	
TIS Administrative Support	52	\$ 5,250		52	\$ 5,520	
TIS Accounting Control	33	\$ 5,200		33	\$ 5,200	
Staff Overhead 40%		\$11,840			\$12,688	
III.						
Travel for Promotion and Contact		\$16,200			\$19,200	
Travel for TIS Operating Exec.		\$ 1,500			\$ 1,500	
Travel for Training & Start-up		\$ 4,500			\$ 3,000	
Telephone & Communications (Fax, Telex, etc.)		\$ 3,000			\$3,000	
Rent and Office Costs		\$ 4,500			\$ 3,600	
IV.						
Marketing & Promotion						
a. US Regional Outreach		\$ 3,750			\$ 4,000	
b. Newsletters, Marketing Services		\$ 2,000			\$ 2,600	
TOTAL PRE SHARE-MOROCCAN U.S. TIS COST						
			\$76,490			\$81,308
TOTAL VALUE DONATED SERVICES FOR MOROCCO						
			\$48,000			\$64,000
TOTAL MOROCCAN SHARE OF PROGRAM VALUE						
			\$124,490			\$145,308

ILLUSTRATIVE BUDGET SUMMARY FOR TISUSAID RABAT FUNDS

CASABLANCA EXPENSES	1989 (9 Months)	1990 (12 Months)	1991 (6 Months)	TOTAL
1. SALARIES & RELATED				
TIS DIRECTOR	45,000	60,000	30,000	135,000
ACCT. REP	10,560	14,200	7,100	31,860
ADMIN. ASST.	7,500	10,000	5,000	22,500
OVHD. AT 30%	<u>18,945</u>	<u>25,260</u>	<u>12,630</u>	<u>56,835</u>
	82,005	109,460	54,730	246,195
2. SUPPORT EXPENSES				
TIS DIRECTOR RENT and RELATED OFFICE	5,250	7,000	3,500	15,750
RENT and RELATED COMMUNICATIONS	8,250	11,000	5,500	24,750
SUPPLIES, PUBLICATIONS & BROCHURES	15,000	25,000	15,000	55,000
POST, MESSENGER SERVICE & SAMPLES	3,000	4,000	2,500	9,500
OFFICE RENOVATIONS	4,000	6,000	3,000	13,000
TRAVEL	7,000	0	0	7,000
MOROCCO*	25,000	26,000	14,000	65,000
USA	12,000	15,000	9,000	36,000
TRAINING, INTERPRETERS, LEGAL, MISC.	4,000	6,000	3,000	13,000
ADMINISTRATION, IESC-CASABLANCA	<u>20,000</u>	<u>20,000</u>	<u>10,000</u>	<u>50,000</u>
	103,500	120,000	65,500	289,000
3. C.M.P.E.	15,000	15,000	15,000	45,000
4. EQUIPMENT CASABLANCA				
COMPUTER, MONITORS	10,000	0	0	10,000
AUDIO-VISUAL	3,000	0	0	3,000
FAX, TELEX, TELEPHONE	15,000	0	0	15,000
AUTOS (2)	26,000	0	0	26,000
FURNITURE	<u>7,000</u>	<u>0</u>	<u>0</u>	<u>7,000</u>
	61,000	0	0	61,000
<u>SUBTOTAL</u>	261,505	244,460	135,230	641,195

* Includes funds for in-Morocco travel of VE and IESC Stamford TIS visiting experts.

Appendix 4
(Continued)

STAMFORD EXPENSES	1989 (9 Months)	1990 (12 Months)	1991 (6 Months)	TOTAL
5. SALARIES & RELATED				
ACCOUNTING ADMIN. CONTROL	16,000	20,000	10,000	46,000
TIS EXECUTIVE OVERSIGHT	12,000	16,000	8,000	36,000
6. MARKETING SUBCONTRACTOR(S)	150,000	220,000	150,000	520,000
<u>SUBTOTAL STAMFORD</u>	178,000	156,000	168,000	602,000
<u>SUBTOTAL CASABLANCA</u>	<u>261,505</u>	<u>244,460</u>	<u>135,230</u>	<u>641,195</u>
T O T A L	439,505	500,460	303,230	1,243,195
INFLATION 4%				49,724
CONTINGENCY at approximately 15%				<u>207,081</u>
<u>GRAND T O T A L</u>				<u>1,500,000</u>

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ANNEX B

ACTION AID3 INFO: DCM ECON/5

INFO COPY

LOC: 242 768
30 JUN 89 0824
CN: 36772
CHRG: AID
DIST: AID

608-0191
* 608-0187

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RR RUFHRA
DE RUEHC #8170 1810544
ZNR UUUUU ZZH
R 300541Z JUN 89
FM SACSTATE WASHDC
TO AMEMBASSY RABAT 1649
BT
UNCLAS STATE 208170

ACTION : PROG/ECON

DUE DATE: 07/07

INFO: Dir 2012
PROG PE OPT RIA

CHRON - RF.

AIDAC

E.O. 12356: N/A

TAGS: N/A

SUBJECT: ECONOMIC POLICY ANALYSIS SUPPORT - 608-0191

A TECHNICAL NOTIFICATION FOR THE SUBJECT PROJECT WAS SENT TO THE HILL ON JUNE 27, 1989 FOR DOLS 2,450,000 ESF GRANT FUNDS AND DOLS 110,000 SDA GRANT FUNDS. THE SDA GRANT FUNDS ARE AVAILABLE AS A RESULT OF DEOBLIGATION WHICH WERE NOTIFIED ON THIS TN FROM THE SMALL ENTERPRISE DEVELOPMENT PROJECT (608-0187). MISSION WILL BE ADVISED WHEN TN HAS EXPIRED WITHOUT OBJECTION AND DEOBLIGATION/OBLIGATION CAN BE INCURRED.

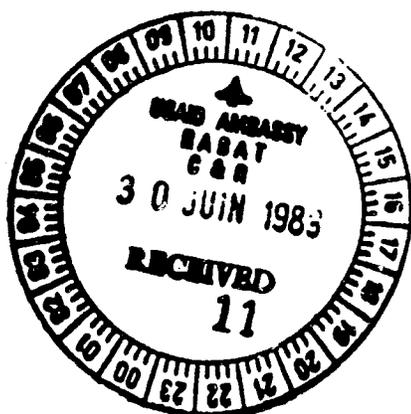
FYI: NOTIFICATION IS NOT NECESSARY FOR THE PRIVATE SECTOR EXPORT PROMOTION PROJECT 608-0189 AS REQUESTED IN RABAT 05540. THE REVISED FY 89 CONGRESSIONAL PRESENTATION SHOWS AN INTENDED FY 89 OBLIGATION OF DOLS 3,000,000. ALTHOUGH THE OYB LEVEL OF DOLS 1,500,000 IS OVER THE AUTHORIZED LOP FUNDING, NOTIFICATION IS NOT REQUIRED FOR LOP FUNDING INCREASES WHICH DO NOT EXCEED DOL 5,000,000. BAKER

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STATE 208170



UNITED STATES GOVERNMENT

memorandum

DATE: June 30, 1989
REPLY TO: *Michael G. Huffman*
ATTN OF: Michael G. Huffman, PE

SUBJECT: Private Sector Export Promotion Project (608-0189) Resolution of
Issues Concerning The IESC TIS Proposal

TO: Files

Ref: (A) TIS proposal, dated 27 March 1989
(B) Schofield memo to files, dated May 22, 1989

As a result of the Mission Review of the IESC Trade and Investment Services (TIS) proposal which was held on March 31, 1989, certain Mission Decisions were taken with regard to issues previously raised by the Project Committee. These issues and their resolution are presented below:

A. PREVIOUS ISSUES

Decisions on these issues were made by the Mission Director on Jan. 25.

Issue 1: Privatization Objective

Issue: Should the program establish an objective of privatization?

Discussion: The original IESC proposal outlined the possibility of privatizing the TIS program after the end of the Cooperative Agreement. The Project Committee concluded that direct mention of privatization should be deleted so that AID would not be locked into such a decision. However, the Committee recommended that a reporting requirement be added to the proposal requiring that no later than six months prior to the termination of the TIS program, IESC submit to USAID a special report regarding the TIS program and IESC recommendations for its continuation beyond the current period of the Cooperative Agreement.

Mission Decision: Privatization should not be an objective at the present time and any reference to such an option should be deleted from the proposal. The recommended reporting requirement should be added to the proposal. The March 27 version of the proposal reflects this recommendation.

Issue 2: Title to Purchases

Issue: Should AID retain title to major equipment purchases ?

Discussion: This issue was raised in the context of the privatization issue discussion above. If privatization took place, AID wanted the flexibility to turn over major purchases to the new private entity. However normal grantee title requires that grantees, at AID's option, offer major purchases back to AID, or to the parties designated by AID, upon the expiration of agreements. Therefore AID need not retain title to accomplish the desired objective.

Mission Recommendation: Normal grantee title should be established.

B. Later ISSUES

Decisions on these issues were made by the Mission Director on March 31.

Issue 1: AID Prior Approval of Activities

Issue: Should AID approve company-specific activities prior to commencement of their implementation?

Discussion: The USAID controller felt that AID should approve activities in advance in order to assure they conform to the conditions of the amended Cooperative Agreement, and to avoid a situation where IESC might start work on an ineligible activity (ie. one that aids a non-Moroccan firm). However, subsequent discussions with IESC have convinced the Committee that the cost of this heightened AID involvement is not justified given that advance approval would retard implementation and therefore undermine the impact of the TIS program and impose a heavy administrative burden on IESC and AID.

To minimize administrative burdens associated with the implementation of the IESC Cooperative Agreement, the Project Committee proposed to eliminate AID pre-approval of activities by tightening and expanding upon the eligibility criteria found in the current Agreement. The stricter eligibility criteria would apply to both TIS activities and export production projects. The Committee also recommended that in order for AID to retain the flexibility to approve activities which do not meet the stringent eligibility criteria but which nonetheless fit the purpose of the Cooperative Agreement (assistance to the Moroccan private export sector), the amended Agreement should include a clause stipulating that exceptions could be approved by AID, on a case by case basis.

Mission Decision : That the Cooperative Agreement be amended to incorporate a set of strict eligibility criteria which would apply to all activities undertaken under the Agreement, i.e. for both export production projects and TIS activities. Therefore, activities which meet the criteria would not require AID pre-approval and activities which do not meet the criteria could be submitted to AID for pre-approval or disapproval on a case-by-case, exception basis.

Issue 2: Promotion of Non-Export Related Activities

Issue: Should any activities be allowed which do not promote Moroccan exports?

Discussion: The current Cooperative Agreement permits up to 15% of the annual dollar amount of the export production projects to be used for purposes other than promoting Moroccan exports and IESC wanted a similar exception provision for the TIS program. While the Mission was inclined to allow exceptions so long as the limits of the exception categories were strictly defined, the RLA argued that exceptions would stray from the project purpose and would expand the purpose of the Cooperative Agreement thus potentially requiring a new obligation. The promotion of Moroccan exports is clearly the central purpose of the -0189 project.

Mission Decision : Both the present Cooperative Agreement and the TIS program should be restricted to activities which promote Moroccan exports. This means eliminating the 15% exclusion category when the Cooperative Agreement is amended.

Issue 3: Restrictions on Export Promotion of Certain Sensitive Products

Issue: To what extent do Bumpers, Lautenberg and other legislative restrictions apply to the TIS program?

Discussion: The Bumpers Amendment applies only to DA funded projects, while this project is ESF funded. The Lautenberg Amendment applies only to direct assistance, which includes assistance through an intermediary where AID has substantial involvement in the selection of beneficiaries.

Because AID will not retain approval rights over activities which fall within the scope of the agreed-upon eligibility criteria, and because these criteria do not specify those firms which are eligible for funding by types of exports, AID funding of activities which fit the criteria does not constitute direct assistance. For those exceptional activities under the Cooperative Agreement which AID would approve in advance, Lautenberg restrictions would apply.

Also, because of AID policies stated in PD-71, no activities involving the production, packaging, or exportation of citrus, palm oil and sugar will be funded under the Cooperative Agreement.

Mission Decision : Selection criteria should exclude activities involving citrus, palm oil, and sugar. For activities requiring prior AID approval (ie. exceptions to eligibility criteria), AID will ensure that Lautenberg restrictions are applied.

Issue 4: Marketing Subcontractors

Issue: a) What is the role of marketing subcontractors, b) on what parameters will the subcontracts be based and c) are payment provisions acceptable?

Discussion: a) The proposal explains that the marketing subcontractors will be companies already in the business of sales representation for overseas exporters and their job under TIS will be to obtain orders for Moroccan exporters. b) The proposal says that they will be selected by IESC based on its standard competitive procedures for appointing subcontractors. The proposal outlines a series of seven parameters for selecting the firms. c) The March 13 version of the proposal recommended that the subcontractors receive fixed compensation in the form of progress payments based on level of effort, supplemented by commissions and that the compensation package will be paid uniquely from the \$520,000 marketing subcontractor(s) line item of the proposal budget. The fixed compensation portion of the package is designed to cover the subcontractor's cost associated with taking on the TIS work, while the commission portion is designed to reward the subcontractor for actual results, i.e. actual exports created.

During the March 22 Project Committee review, it was agreed that the fixed payment plus commission payment package was appropriate but that commissions should not be paid from AID-appropriated funds. The USAID RLA and Controller agree that commissions should be paid by exporter clients, as proposed in the original version of the TIS proposal. IESC agrees that direct payment of commissions by exporter clients follows standard practice and is the preferred arrangement.

The current, March 27, version of the TIS proposal reflects this change: "the plan is to offer a fixed type contract based on a predefined amount of work to be accomplished in a fixed time period, as further defined by identified sales goals to be achieved during the same period. The fixed compensation will be supplemented by normal commercial commissions paid by the beneficiary exporter." Exporter clients will pay commission fees to the U.S. marketing

subcontractor firms. However, each order and commission pending will be recorded and monitored by TIS Casablanca staff to secure payments. In addition, before subcontracts are signed, AID will approve the draft subcontracts.

Mission Decision : The role, contract parameters and payment provisions for marketing subcontractors found in the March 27 version of the TIS proposal will be reviewed by the Regional Contracting Officer during negotiations.

Issue 5: Purchase of Equipment

Issue: Given that IESC still does not have tax and duty-free status in Morocco and that AID has a policy against reimbursing taxes and duties, how will equipment purchases and payment be handled ?

Discussion: IESC has applied for an exemption from such payments. If exemption is not granted, IESC proposes to absorb the taxes and duties in one of two ways: the monies will come from (a) the special project account into which some client fees are to be deposited or (b) IESC Stamford funds. Is this plan feasible and acceptable to AID ?

Mission Decision : This arrangement is acceptable.

Issue 6: Client Contributions

Issue: The previous proposal was unclear on "in-kind" client contributions, the amount of fees that will be charged and who will receive these fees.

Discussion: The latest IESC proposal addresses these concerns in the following manner: 1) In-kind contributions will include any client travel costs which will be charged in addition to fees 2) The fees will be set on the basis of fee schedules which are presently being established by IESC. AID will approve these fee schedules before any client agreements are executed. 3) Client fees will be collected from both export development and venture stimulation clients. Nearly 75% of export development client fees will be paid to marketing subcontractor firms. The remaining 30% of export development fees and 100% of venture stimulation fees will be deposited in a special IESC account, and will be used to further accelerate and expand the TIS program and to pay for any taxes and duties which AID cannot reimburse.

Mission Decision : These arrangements are acceptable.

Issue 7: Reasonableness of costs presented in TIS proposal budget

Issue: Are the line items presented in Appendix 4 of the TIS proposal sufficiently clear and are they reasonable?

Discussion: The March 13 version of the proposal did not explain adequately several of the line items, in particular the \$520,000 line item for marketing subcontractors. The Committee requested that IESC provide additional information on the following line items: Under Casablanca Expenses - Travel,

CMPE, Fax, Telex, Telephone, and Autos; and under Stanford Expenses - Accounting and Administrative Control, and Marketing Subcontractors. To back-up the cost of marketing subcontractors, IESC was asked for a memorandum which explains the basis for determining costs. This additional information has been provided and incorporated in the current version of the TIS proposal.

Mission Decision The costs presented in the TIS proposal budget will be further reviewed by the Regional Contracting Officer during negotiations.

Issue 8: 25% Non-AID contribution

Issue: Will non-AID contribution to the IESC Cooperative Agreement amount to 25% of total cost after the TIS activity has been added ?

Discussion: PD-16 requires, as a matter of AID policy, that financial participation be required from all assistance recipients unless waived by the authorizing official (in this case the Mission Director). A 25% financial participation is required unless the authorizing official determines that a smaller amount is reasonable under the circumstances. Under HB 3, Ch.58 5e(5)(a), 25% is required from non-AID sources for any OPG, at least some of which must be in cash. Per the 1982 Policy Paper on PVOs, this cash contribution can be obtained by the PVO from private sources, so client contributions could be counted towards this requirement. IESC needs to show at least a 25% contribution to the entire Cooperative Agreement from non-AID sources, unless the Mission Director justifies a smaller amount per PD-16.

The addition of the TIS activity increases the AID cost of the Cooperative Agreement to \$4,220,000. (The original Cooperative Agreement was for \$2.8 million. Upon amendment, this will be reduced to \$2.72 because certain non-disbursing line items will be reduced. With the addition of the \$1.5 million TIS program, the new Cooperative Agreement total will be \$4.22 million). Non-AID contribution will amount to \$1,450,000 (\$1,200,000 under the original Agreement: \$100,000 in-kind contribution of CMPE office space and \$1,100,000 in client fees for services; plus \$250,000 under the TIS program: \$180,000 in export development and \$20,000 in venture stimulation client fees plus \$50,000 worth of volunteer services for export development work, which PRE funds do not cover.) The total cost of the Cooperative Agreement will be \$5.67 million of which \$1.45 million will come from non-AID contributions. Therefore, non-AID contributions will exceed 25% of the total.

Mission Decision : Non-AID contribution under the Cooperative Agreement will meet the 25% of total cost requirement.

PROJECT CHECKLIST

This checklist addresses new TIS component only: for remainder of project, answers remain same as in Annex D of original Project Paper.

A. GENERAL CRITERIA FOR PROJECT1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A.

If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?

Congress was notified in the FY 89 Congressional Presentation, and further notification is not required

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes

3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

No legislative action is required

4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable. In accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act

N/A

(42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. Venture Stimulation Component is part of AID/W world-wide pilot project. Export Development Component does not lend itself to a regional or multilateral project.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. The TIS program will encourage (a), (b), (d) and (e); it will have no direct impact on (c) and (f).
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. The TIS program, though its Venture Stimulation Component, will directly encourage U.S. private sector direct investment in Morocco.

private enterprise).

9. FAA Sec. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. Recipients of assistance (local firms) under TIS activity will contribute on a fee for-service basis, a portion of the costs of the program.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No
12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods Firms which produce such products will not be assisted in impermissible ways under the project.

(such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. FAA Sec. 119(q)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? No
No
No
No
No
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? Yes
16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, Yes

file, or record necessary to the auditing requirement of A.I.D., and is the PVO registered with A.I.D. ?

17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained?

N/A

18. FY 1989 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?

N/A

19. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Case Zablocki requirements will be met.

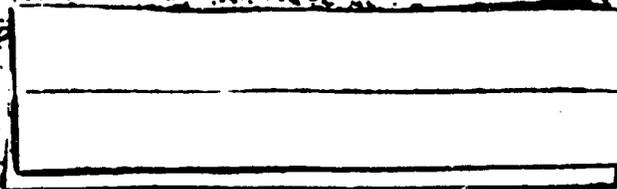
B. FUNDING CRITERIA FOR PROJECT
(Economic Support Fund Project
Criteria)

1. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum

Yes

- extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA? Yes
2. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? No
3. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States? No
4. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

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CN: 41587
CHR: AID
DISTR: AID

AIDAC ERIK LOKEN, MISSION ENVIRONMENTAL OFFICER

E.O. 12358: N/A
TAGS:
SUBJECT: REQUEST FOR ENVIRONMENT CONCURRENCE-MOROCCO
PRIVATE SECTOR EXPORT PROMOTION PROJECT (688-8189)
REF: RABAT 7898

ENR
07/27
DIR - DIR - PE
PROG - OFF - CHRON - R

1. BASED ON THE INFORMATION PROVIDED IN REF A, ANE/PD/ENV CONCURS WITH REQUEST FOR THRESHOLD DETERMINATION FOR A CATEGORICAL EXCLUSION FROM FURTHER ENVIRONMENTAL ASSESSMENT UNDER 22 CFR 216.

2. FYI. ANE/PD/ENV NOTES THAT WHILE THE PROJECT IS CATEGORICALLY EXCLUDED, THERE EXISTS THE POSSIBILITY THAT INDIRECT NEGATIVE PRESSURES ON THE RESOURCE BASE CAN OCCUR FROM THE PROGRAM DESCRIBED. FOR EXAMPLE, EXPORT PROMOTION PROGRAMS WHICH REQUIRE SCARCE LOCAL RESOURCES CAN LEAD TO INCREASED DEMAND FOR THOSE RESOURCES MORE RAPIDLY THAN THE RESOURCE BASE CAN BE REPLENISHED. WHEN THE ENVIRONMENTAL PROCEDURES WERE ESTABLISHED, THIS TYPE OF CONCERN WAS NOT RAISED, BUT RATHER FALLS UNDER DESIGN CONSIDERATIONS AND ENVIRONMENTAL POLICY. END FYI.

3. TO FACILITATE FUTURE REQUESTS FOR CONCURRENCE WITH INITIAL ENVIRONMENTAL EXAMINATIONS, IEE WE WILL MAIL COPIES OF NEWLY STANDARDIZED FACE SHEET. MISSION IS REQUESTED TO PROVIDE ANE/PD/ENV WITH A LIST OF UPCOMING PIDS, PAIPS, AND PROJECT AMENDMENTS WHICH WILL REQUIRE ANE/PD/ENV ACTION SO THAT WE MAY SCHEDULE OUR WORKLOAD ACCORDINGLY. BAKER

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