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MID-TERM EVALUATION OF USAID/MOROCCO'S PRIVATE SECTOR EXPORT PROMOTION PROJECT

FINAL REPORT

Bureau for Private Enterprise
U.S. Agency for International Development

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TABLE OF CONTENTS

ANNEXES

I. STATEMENT OF METHODOLOGY
II. LIST OF MEETINGS
III. BIBLIOGRAPHY
IV. EXPORT CREDIT INSURANCE
V. EXPORT PRE-FINANCING
VI. EXPORT PRODUCTION AND MARKETING ASSISTANCE

GLOSSARY

ABLE	American Business Linkage Enterprise
BMCE	Banque Marocaine du Commerce Extérieur
BaM	Bank al-Maghreb (Bank of Morocco)
BCP	Banque Centrale Populaire
CMPE	Centre Marocain de Promotion des Exportations
EDAF	Export Development Activities Fund
GOM	Government of Morocco
IESC	International Executive Service Corporation
MOF	Ministry of Finance
NAC	National Advisory Committee
PSEPP	Private Sector Enterprise Promotion Project
SMAEX	Societé Marocaine d'Assurance a l'Exportation
SME	Small and/or Medium-Scale Enterprise
TIS	Trade and Investment Services
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

USAID/Morocco initiated its Private Sector Export Promotion Project 608-0189 (PSEPP) in May 1986 to assist the Government of Morocco (GOM) and Moroccan private sector with export growth. **The PSEPP's primary objectives were to a) promote institutionalized private sector, export-oriented changes in the banking and insurance fields, and b) increase access by Moroccan exporters to credit, export insurance and technical assistance.** USAID signed a series of agreements with the Government of Morocco (GOM) for insurance and credit and with the International Executive Service Corporation (IESC) for technical assistance to implement the project.

The PSEPP included in its project design a provision for a mid-term and final evaluation to assess the impact of Project 608-0189. The current evaluation represents the mid-term evaluation. USAID/Morocco selected the consulting firm of Ernst and Young to perform the evaluation; E&Y assigned three consultants to the task. The consultants devoted approximately 75 person days in Morocco to conduct the evaluation and formulate findings, conclusions and recommendations for USAID-Morocco.

The evaluation team a) reviewed USAID and IESC files, and b) interviewed officials from Societé Marocaine d'Assurance a l'Exportation (SMAEX), Banque Marocaine du Commerce Extérieur (BMCE), Banque Centrale Populaire (BCP) and three other banks, IESC and its National Advisory Council, Centre Marocain de Promotion des Exportations (CMPE), and about 25 other institutions, enterprises and associations. Efforts were made to talk to a representative sample of randomly selected firms potentially affected by each project component. Findings, conclusions, and recommendations are based on all these sources.

The team's work focused on the following:

1) Export Credit Insurance and SMAEX
2) Export Pre-Financing Credit at BMCE and BCP
3) Export Production and Marketing Assistance and IESC
4) Contribution to Overall PSEPP Purpose

Findings, conclusions and recommendations are summarized below.

EXPORT CREDIT INSURANCE AND SMAEX

Findings:

SMAEX is managed as a private sector-oriented export credit insurance institution. The following represent key findings:

- **Private shareholders own 50.43% of total equity, and GOM-appointed officials appear as determined as private sector officials to manage SMAEX as a private sector institution;** SMAEX is providing services to private exporters without political interference;

- **SMAEX profits will be reinvested in the company to strengthen its capital base** if the General Assembly of July 1990 ratifies a March 1990 Board decision;

- **SMAEX increased export insured volume by 10% in 1989, indicating its program is reaching a larger number of exporters**, some of whom are beginning to export in greater quantities; SMAEX now covers 4.5% of insurable exports as opposed to 4% one year earlier;

- **SMAEX is streamlining operations to increase efficiency and service levels, pursuing a marketing program that cooperates with banks and developing a direct marketing strategy;**

- **Technical assistance has been effective in providing know-how and technology; future assistance needs include the areas of management controls, accounting, information systems, political risk assessment and the drafting of new policies;** equipment needs have been met, and there is no need for USAID to provide additional equipment at this time;

- **SMAEX's financial position could suffer an important setback if a large political default occurred.**

Conclusions:

Despite improvements that still need to be made, **SMAEX has demonstrated strong progress in its first full year of operation**:

a) coverage has increased;
b) systems are being put in place; and
c) management and operations are private sector-oriented..

SMAEX has demonstrated its effectiveness in helping exporters obtain credit, minimize risk and penetrate new markets.

Recommendations:

USAID and SMAEX might consider the following to enhance effectiveness:

a) SMAEX should delegate to its staff certain powers of authority to issue credit limits;
b) SMAEX should be encouraged to obtain certain levels of

authority for political risk insurance from the GOM;

c) SMAEX's new policies should include revised payment delays to conform to present legislation and accomodate exporters' needs;

d) USAID should support SMAEX in its efforts to have the GOM establish an unfunded line item in the State budget for the eventuality of a large political default;

e) SMAEX should complement its marketing efforts by working with other export organizations and associations;

f) USAID should support future management and marketing technical assistance efforts to help SMAEX increase service levels to the export community;

g) USAID should obtain a legal opinion to determine whether the Moroccan "Commissaire aux Comptes" review of the USAID-funded reserve fund constitutes an independent audit; if not, an amendment to the Agreement should be attached to ensure independent audits are properly carried out on a timely basis; and

h) Activity reports by SMAEX and the technical assistance contractor should be submitted to USAID on a regular basis.

EXPORT PRE-FINANCING CREDIT AT BMCE AND BCP

Findings:

The USAID export pre-financing credit project has registered partial success, but been limited in usage by the two banks and their export customers. The following are key findings:

- **The project has succeeded in reaching eligible SME's;**

- **The project has reached appropriate export sectors;**

- **Funds allocated to the project are too small to have a measurable impact on Moroccan private sector exports;**

- **Reflows are not occurring and audits have not been performed; both constitute technical events of default;**

- **Participating banks are using USAID pre-financing to complement Bank al-Maghreb pre-financing and their own lines of credit;**

- **Exclusive utilization of public sector banks may limit the impact of the USAID project as exporters also use other banks, and may not be aware of USAID facilities;**

- **The USAID project would only become attractive to private banks if the dollar amount were substantially increased and**

credit allocations were not subject to credit ceiling restrictions; such changes would require GOM approval.

Conclusions:

Notwithstanding its partial success in reaching eligible SME's and appropriate export sectors, **the usefulness of the USAID pre-financing credit project has been reduced because of the following**:

a) modest dollar sums made available under the project limit impact;
b) readily available and substantial Bank al-Maghreb pre-financing facilities already exist; and
c) changes in the external environment should bring about larger and more efficient production units which might limit demand for the USAID facility.

Recommendations:

In order to increase the impact of USAID's export credit activities, the Mission might consider transferring the second tranche ($3.5 million) of the Export Pre-financing Credit project to a Loan Guarantee Fund.

EXPORT PRODUCTION AND MARKETING ASSISTANCE AND IESC

Findings:

IESC's firm-specific assistance project has generally been rated a success, while its Trade and Investment Services (TIS) activities are beginning to generate incremental export earnings for Moroccan private sector firms. IESC's work with CMPE was less successful due to institutional constraints. Key findings are below:

- **IESC has focused assistance on textile manufacturers and agro-industrial firms** with more than 250 employees and DH10 million ($1.25 million) in annual turnover;

- **IESC assistance appears to have made export firms more efficient in reducing production costs, and therefore more competitive**; increased competitiveness, however, has not been translated into a measurable impact on exports;

- **The main IESC weakness identified by beneficiary firms is inability of Volunteer Executives to speak French**; in some cases, firms are too small to benefit from IESC assistance;

- **The "export-related only" restriction has limited IESC's range**

of activities, detracting from potential effectiveness;

- **IESC's TIS program is beginning to generate incremental exports for Moroccan private sector firms**; $500,000 in export orders have been achieved since the program began in July 1989;

- **IESC's long-term advisor to CMPE was unable to institutionalize changes that would permanently increase service and efficiency at CMPE**; however, the advisor's 1988 Action Plan for CMPE reorganization may assist the Ministry of Foreign Trade in determining CMPE's future role.

Conclusions:

The IESC program has been successful in its efforts even if limited in impact:

a) IESC Volunteer Executives have largely succeeded in helping Moroccan exporters with a wide range of production and marketing problems; in some cases, however, language problems and the comparatively small size of Moroccan firms has led to a mismatch in needs and skills;
b) The Cooperative Agreement's "export-related only" restriction has limited IESC's range of activities, slightly undermining its effectiveness; little work has been done with firms in the service sector that could facilitate exports, or in the non-export industrial sector where foreign exchange could be conserved via import cost reductions; and
c) IESC's TIS program may serve as a useful model for CMPE, particularly if CMPE receives a mandate from the Ministry of Foreign Trade to become autonomous, transaction-oriented, properly funded and aggressive, as found with other countries' export promotion bodies.

Recommendations:

The Mission and IESC might consider the following recommendations to increase the impact of the Export Production and Marketing Assistance project:

a) interpret "export-related only" in a flexible manner to increase IESC scope; IESC should identify projects that facilitate export development, and conserve or generate foreign exchange without exporting; USAID should grant exceptions according to these criteria;
b) create linkages between IESC and other organizations to broaden assistance coverage and help defray costs; this

might include the Peace Corps for assistance to SME's, and business training institutes for MBA-styled courses and projects; and

c) continue supporting TIS with the option of reviving assistance to CMPE or another export promotion body if it is sufficiently autonomous, transaction-oriented, professionalized and private sector-directed.

CONTRIBUTION TO OVERALL PSEPP PURPOSE

Findings:

- **It is difficult to determine the impact of the PSEPP on Moroccan private sector exports; it is likely that the contribution has been limited**, although SMAEX and IESC-assisted firms have benefited;

- **SMAEX has addressed the inability of some SME exporters to obtain financing**; remaining constraints include lack of familiarity abroad of Moroccan exporters, and lack of familiarity domestically with export insurance services that are available to private exporters;

- **The pre-financing credit has had minimal impact on equity levels of firms or in assisting SME's to increase productive capacity;**

- **IESC firm-specific services have assisted export firms with production and marketing problems that will help them become more efficient and competitive during Morocco's period of increasing liberalization**; remaining constraints include language, weak marketing skills, lack of professionalism, limited awareness of foreign buyers' needs, limited "modern" business education, and SME production capacity;

- **The TIS project is beginning to generate export orders,** representing a tangible contribution to the private export sector.

Conclusions:

- **The PSEPP has made a limited contribution to the Moroccan private sector's ability to increase exports**; with time, impact should increase, particularly if the project is successful with longer-term institutionalization efforts; and

- Given the magnitude of constraints facing the private sector export community, **the PSEPP has identified at least two organizations (SMAEX and IESC) that have demonstrated an ability to address constraints; continued support and, ultimately, expanded coverage will enhance effectiveness.**

FINAL RECOMMENDATIONS TO USAID-MOROCCO:

- **Continue supporting the Export Credit Insurance and IESC technical assistance components of the PSEPP, while transferring the balance of the Export Pre-financing Credit project to a Loan Guarantee Fund;**

- **Develop a plan for longer-term institutionalization of each PSEPP component;** SMAEX institutionalization has already begun, while IESC needs greater linkage with other institutions to more widely transfer know-how for longer-term continuity; the Loan Guarantee Fund should have longer-term institutional considerations included in project design; and

- **Promote greater linkages between project components for increased impact;** whenever possible, USAID should encourage SMAEX, IESC and the banks to work together to maximize potential project impact on Moroccan private sector export growth.

I. INTRODUCTION

USAID/Morocco initiated its Private Sector Export Promotion Project 608-0189 (PSEPP) in May 1986 to assist the Government of Morocco (GOM) and Moroccan private sector with export growth. More specifically, USAID/Morocco developed the PSEPP a) to promote institutionalized private sector, export-oriented changes in the banking and insurance fields, and b) to increase access for Moroccan exporters to credit, export insurance and technical assistance. A Cooperative Agreement was signed between USAID/Morocco and the International Executive Service Corporation (IESC) to provide a long-term advisor to the Centre Marocain de Promotion des Exportations (CMPE), and to provide technical assistance to export-oriented firms. A second agreement between the GOM and USAID to create a new export credit insurance organization was signed in June 1986, which led to the creation of the Societé Marocaine d'Assurance a l'Exportation (SMAEX). A third agreement was signed between the GOM and USAID in September 1986 to implement an export pre-financing credit facility for small and medium-scale enterprises (SME's).

The PSEPP included in its project design a provision for a mid-term and final evaluation to assess the impact of Project 608-0189. The current evaluation represents the mid-term evaluation. USAID/Morocco selected the consulting firm of Ernst and Young to perform the evaluation. E&Y assigned three consultants to evaluate the project: Michael Borish, Team Leader (J.E. Austin Associates); Dennis DeMunnick (DEMUNNICK Associates); and Suzanne Rivet (Private Consultant). The consultants were in Morocco from March 19-April 19, 1990, during which time they evaluated Project 608-0189 and presented findings, conclusions and recommendations to the Mission.

The evaluation team would like to thank the following individuals for their cooperation in assisting with the evaluation: Charles Johnson (Director), Richard Burns, Michael Huffman, Robert Dodson, Kenneth Schofield, John Wiebler, Belinda Barrington, T. Mark Kraczkiewicz, Abderrahim Bouazza, Khalid Zefri, Moulay Ali Hanafi, Aicha Mokrani and Rajaa El Ouradia at USAID; E. Ross Sawtelle, David Sullivan, Dallas Myers and Samira Belfakir at IESC; Abdelhamid Boumediene and Mustapha Ouali at CMPE; Hassan Thyifa at BMCE; Said Lefouili at BCP; and Abdelhamid Jouahri and Abdelkader Driouache at SMAEX. The team would also like to thank the many individuals who, although not cited, were helpful in providing administrative and logistical support and time for interviews.

The evaluation report is structured to follow the Scope of Work designed by USAID-Morocco. Chapter III, Evaluation of Project Components, addresses specific questions from the Scope of Work. Annex Title Pages include Table of Contents for each Annex.

II. STATEMENT OF METHODOLOGY

The evaluation team utilized the following to carry out its evaluation:

a) USAID files containing Cooperative Agreements relevant to Project 608-0189;
b) USAID files containing information on project developments, correspondence and amendments;
c) IESC files containing project data and budget information; and
d) interviews with officials of SMAEX, five banks, IESC and its National Advisory Council, CMPE, and several enterprises and associations.

A more detailed description is found in **Annex I: Statement of Methodology**, and **Annex II: List of Meetings.** In addition, the evaluation team read a series of secondary documentation to broaden overall understanding. **Annex III: Bibliography** details these sources of information.

Concerning firms interviewed, efforts were made to talk to a representative sample of randomly selected firms potentially affected by each project component. In all cases, short questionnaires were used, and attempts were made to determine if firms were using other USAID-assisted activities (e.g., if IESC beneficiaries were also using export pre-financing or insurance).

The export credit insurance component involved firm interviews with nine exporting firms, including three that were insured by SMAEX. These interviews were in the Rabat and Casablanca areas.

As for export pre-financing, focus on the Casablanca and Rabat areas skewed interviews towards the textile sector. Of six interviews held with firms, two were borrowing under the USAID-assisted program. Total credit utilization between these firms was DH 960,000, or 3% of the total under outstanding commitments as of June 1989. It was not possible to quantify the degree to which this sample was representative on a sectoral, scale or turnover basis.

In the case of IESC, firm interviews were limited to firms that had received assistance between 1986-1988 (to better measure impact) in the Casablanca region; coverage represented 12.5% of projects completed through March 1990, with sectoral and scale variability. Availability of additional primary data in IESC files complemented interview findings, and serve as the basis of most IESC findings.

III. EVALUATION OF PROJECT COMPONENTS

A. EXPORT CREDIT INSURANCE COMPONENT

1. ESTABLISHMENT OF AN INDEPENDENT EXPORT CREDIT INSURANCE AGENCY

a. Consider whether the private sector is sufficiently involved in the ownership and management of the new organization.

Ownership: The Agreement between the Government of Morocco (GOM) and the US that governs this project specifies that **private commercial banks and insurance companies should own at least 50% of the capital of the new Export Credit Insurance organization.** (Project Loan and Grant Agreement No 608-K-046 signed June 1986 between the U.S.A. and the Kingdom of Morocco - Annex 1 Article IC1). This is the case.

SMAEX has five categories of shareholders: GOM, public and private banks, and public and private insurance companies. The GOM holds 33.33% of the shares, public banks and insurance companies 16.23%[1]. Therefore, **a total of 49.56% of shares are held by the Government and public entities. Private banks and insurance companies own 50.43% of the shares** (see Annex IV-1).

Initially, a larger number of insurance companies had committed to providing capital for the creation of SMAEX. Some of the insurance companies were in serious financial trouble and were not in a position to provide the funds originally committed. Consequently, the percentage of insurance companies subscribing to the capital of SMAEX is smaller than had been hoped for.

The objective of greater than 50% private ownership has been reached, although a 50.43% majority is a slim one. More important, however, is the way in which SMAEX is managed on a day-to-day basis.

Management: The Board of Directors of SMAEX represents the shareholders and is named by the General Assembly for a six-year term. At the present time, there are nine Board members (see Annex IV-2). Two Directors are from the Ministry of Finance, and three are from public sector banks and insurance companies (BMCE, BCP, and Société Centrale de Réassurance), for a total of five public sector Directors. Three Directors are from private sector banks and insurance companies (BCM and Wafabank, Al Wataniya). M.

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1 Banks and insurance companies which, in the GOM, directly or indirectly own more than 50% of the shares are considered public entities.

Jouahri, President of SMAEX, considers himself a private sector representative, for a total of four private sector representatives. Although the President's candidacy is proposed by the MOF, the Board of Directors designates the President. M. Jouahri believes that he would not have been elected if he did not have a private sector-oriented attitude.

Although the capital of the public banks and insurance companies may be fully or partially owned by the GOM, this does not prevent them from having a private sector outlook. These organizations are profit motivated and do not act as governmental administrations.

Private sector members of the Board interviewed are thoroughly convinced that the Board of Directors is private sector-oriented and that it acts accordingly. One member was initially surprised by the attitude and role of the Ministry of Finance members, who act as any of the other directors and do not have more weight because they represent the State. These members did not envision any change of this private sector attitude in the future.

The SMAEX Board of Directors meeting of July 7, 1988 conferred broad powers of management and administration to the President. Day-to-day operations of the company are under his complete control. The current President intends to run the company as a private sector organization. He wants SMAEX to promote exports and to generate profits from operations. The President plays a very important role as the manager of the company, and also presides over meetings of the Board of Directors. He has made it very clear to the Board of Directors that they are on the Board to represent the interests of SMAEX and no one else. **Decisions of the Board of Directors meetings show that SMAEX operates as a private sector entity (see Annex IV-3).**

A concern has been raised that a President of SMAEX with a public sector orientation could be named in the future. Taking into consideration the broad powers vested in the President, SMAEX could thus become a governmental entity. The President and other Board members strongly believe that the GOM is committed to private sector development and to increasing exports. As long as this basic political direction is not changed they do not see why the GOM would propose a public sector administrator as President. The President also <u>strongly</u> believes that SMAEX's Board would never accept a President that did not intend to run the company as though it were a private sector organization. Although they do not have the right of veto over the appointment of the President, the Board members, in practice, have important powers of influence.

b. **Consider whether the structure of the new organization is such that it is able to respond quickly and effectively to the needs of Morocco's exporters.**

This question raises three issues: quality and rapidity of services offered; division of responsibility between departments; and type of services offered.

♦ **Quality and Rapidity:** (This issue also relates to streamlining of operations, discussed further in Section d.)

i. Policy Issuance and Credit Limits: SMAEX is aware that it needs to respond professionally and quickly to exporter inquiries. Progress has been made to this effect. Average processing time for issuance of policies and credit limits has been cut to 39 days during the first quarter of 1990. Under the BMCE, the previous administrator of the insurance programs, average processing time was two months. Management is fully aware that further reductions must be made. The organization is working towards a goal of an average of two weeks processing time.

Banks and exporters have reported in interviews that they have seen important reductions in delays for processing requests. Of course, they are not satisfied with actual processing time, and neither is SMAEX.

ii. Claim Payments (see Annex IV-4): Under the insurance policy, commercial defaults are payable a minimum of 6 months after the receipt by SMAEX of the declaration of default by the exporter. There is no stated maximum period by which payment must be made. For this reason the President of SMAEX has declared publicly to those insured and in seminars that payments for commercial claims will be made 6 months after the submission of a claim by the exporter.

Three commercial claims, for a total of DH 3.3 million, have been paid since SMAEX's creation. The claims were paid in late November and early December, 1989, exactly on the claim eligibility date (6 months after the exporters had advised SMAEX of the default and submitted a claim).

No political claims have been paid by SMAEX since its inception, as none have become due. DH 14 million in claim requests were submitted in 1989 for Iraq and Algeria. The buyers paid the amounts due before SMAEX could make the claim payment under the policy (6 months after the submission of a claim).

Decree No 2.86.65 of October 13 states that political risk claims will be paid within 6 months of receipt of the exporter claim payment request by SMAEX. The insurance policy in the case of political default indicates that a claim will be paid a minimum of 6 months after the claim request of the exporter. There is a contradiction here which will be corrected in new policies to be issued in 1991. In the meantime, to correct this conflict, SMAEX intends to pay political default claims exactly 6 months after the claim submission date. This has also been publicly stated. To enable it to do so, SMAEX has the intention of presenting political risk claim requests to the "Commission des Assurances à l'Exportation" (the government body which makes political risk decisions) one month before the intended payment date. SMAEX does remain dependent on the Commission's rapidity in making claim payment decisions.

The claim payments for commercial defaults illustrate that SMAEX is making very rapid payments. This is a great improvement over BMCE (the previous administrator of the insurance programs) whose reputation was that of an insurance company that did not pay claims. For political defaults, future events will tell how rapidly payments will be made. SMAEX has, however, set up a system which should enable the company to pay claims within the prescribed time limits. (A discussion of the related issue of SMAEX's financial situation is found at the end of this evaluation).

- **Division of Responsibility between Departments:** (see Annex IV-5). SMAEX has not established a definite Organizational Chart. All Managers have now been hired and some responsibilities have been reshuffled. Lately responsibilities for credit analysis and policy administration have been given to two different managers, as well as responsibilities for management of credit reports and relations with foreign correspondents. These changes were made to avoid any conflict of interest.

  SMAEX's policy is to take the time required to structure the organization in such a way that it will respond quickly and effectively to the needs of exporters. Until SMAEX and the business community are satisfied, changes will continue to be made as the need arises.

- **Type of Services Offered:** SMAEX management decided not to change or alter programs offered until a complete new analysis of the present policies/services offered and the needs of the exporting community has been made. SMAEX plans to have new policies in 1991. Consultants in marketing and insurance (under the technical assistance USAID contract) will be giving their opinions on these matters.

Restructuring of the organization is taking place as Management sees the need. Improvements to speed up delivery of products have been made which have been well received in the business community. The organization is working to increase efficiency, and appropriate changes will be made in the future as required.

c. **Consider whether the relations between the new organization and the GOM are sufficiently clear to allow the organization to aggressively pursue its business of providing insurance services to private Moroccan exporters with a minimum of political interference. (This relates to issues of independence in making underwriting decisions, control over reserve funds, day-to-day management, and re-insurance).**

SMAEX was created by a Ministry of Finance "arrête" (decree). Its management conditions are outlined in decree No. 2.86.658 of October 13, 1987. The decree indicates that the export insurance organization (SMAEX was not yet established at that time), has the right to insure for its own account "ordinary" commercial risks and to issue policies, collect premiums, and pay claims relative to these "ordinary" commercial risks. ("Extraordinary" commercial risks are defined as transactions which fall outside of acceptable norms in international trade: terms of payment, documents, transportation, etc.; refer to Articles 1, 6, 7, and 10 of the decree). The articles of incorporation of SMAEX indicate that the Board of Directors may delegate to the President the powers it deems are necessary to manage the organization on a daily basis (Article 25). The Board of Directors meeting of July 7, 1988 delegated broad powers of management and administration of SMAEX to the President, including the right to issue insurance policies, establish premium rates, collect premiums, pay claims, and establish reinsurance contracts.

♦ **Independence of SMAEX in Making Underwriting Decisions:** SMAEX has complete autonomy in making commercial risk underwriting decisions. The President of SMAEX has established a Management Committee (Comité de Direction) where all credit, claim and policy insurance decisions are made. The committee members are the President, the department Managers and the Vice-President. In the President's absence the Committee can approve DH 1 million, and DH 200,000 in the President's and the Vice-President's absence. In practice, no decisions for large amounts are made without the President's approval.

At the present time, management does not feel that it can delegate any levels of authority to its staff but will do so at the appropriate time. All political risk decisions are made by the Government "Commission des Assurances à l'Exportation".

- **Reinsurance:** At the time of the Project Paper and the Agreement, it was envisioned that SMAEX might reinsure a portion of its commercial risk with the GOM and/or Moroccan and foreign reinsurers.

  SMAEX has reinsured 75% of its commercial risk with reinsurance companies, and limited its liability per claim to a maximum of DH 1.5 million with excess loss reinsurance (see Annex IV-6). There is no interference from the GOM in terms of reinsurance.

- **Control Over Reserve Funds and Day-to-Day Management of Operations:** As indicated above, the President has the right to pay commercial default claims and has control of the various reserve funds. In the case of political default claim payments SMAEX acts as agent of the State.

It seems clear from the above and from various visits to SMAEX that the President and the Management Committee of SMAEX manage the company without political interference.

d. **Consider whether operating and administrative procedures have been sufficiently streamlined (Project Paper p. 20).**

The Project Paper outlines a number of measures to be taken to accomplish streamlining of operations. The Agreement refers to these same points but in less detail. The following addresses these issues:

i. **Mechanization of all Operations:** At the present time only the payroll is computerized; insurance policies and approved credit limits for foreign buyers are in the data base. A manual system is still in place for other operations. Programming of the computerization of all operations was established in 1987 on File-Pro software. Further to the change in the Presidency of SMAEX in 1988, this program was not put into effect and data were not entered into the system. In 1989, the decision was made to change the software used to DBase 4. Data were entered into the system for the second half of 1989. Programming with DBase 4 is still under way and should be completed by the end of April 1990.

ii. **Development of a Management Information System:** Programming of processing operations as mentioned above is in the last phases of finalization. Programming has not yet been established for management of financial aspects of the company. Monthly financial statements, exposure information, cost accounting and policy analysis systems are therefore not yet available.

iii. **Review of Operating Forms and Procedures and Design of an Internal Operations Manual:**

a. An internal operations manual covering all functions of the organization was produced by the long-term resident consultant and instruction given to personnel. This was a prerequisite to the disbursement of the USAID $8 million for establishment of a reserve fund.

b. Forms used at SMAEX have not been changed. The old ones are being used with the new SMAEX heading. A preliminary study of forms was made by the long-term resident consultant. New insurance policies are to be issued in 1991. Input from the marketing and insurance consultants (under USAID technical assistance) will be taken into account in the drafting of these policies.

iv. **Allow Experienced Exporters to Calculate Their Own Premiums:** This has not been done and probably will not be done because SMAEX believes it will create problems and additional work.

v. **Underwriting Procedures to Emphasize Exporter's Experience with Foreign Buyers; Become More Flexible to Respond to New Business Opportunities:** An exporter's ledger experience with foreign buyers is now taken into consideration in credit analysis. The attitude of the underwriting department is to be more flexible within the constraints of not taking on risk which is excessive. Exporter response has been positive.

vi. **Premium Discounts for Exporters with a Good Track Record and for Insurance for Buyers with Short Payment Terms; Offering Reasonable Discretionary Limits:** Premium rates will be reviewed under the new policies to be issued in 1991. The marketing and insurance consultants will be providing their input to Management on these issues.

vii. **Review of Claim Payment Procedures and Waiting Periods for Claim Payments:** Claim payment procedures have not yet been changed. Waiting periods for claim payments will be reviewed before new insurance policies are established in 1991. Marketing and insurance consultants' input will be considered.

The purpose of streamlining operations and administrative procedures was to counter the image (inherited from the BMCE) of the insurance programs being administered by a very slow bureaucracy. Substantial efforts to streamline operations have been made but many remain to be enacted. Once computerization is completed (anticipated date of completion April 1990), better controls will have to be established to monitor progress in accelerating procedures. Consultants now working in various areas will also help to further streamline operating procedures (marketing, credit analysis, etc.). Management at SMAEX is determined to streamline operations and provide better service to its clients and the exporting community.

e. **Consider whether the organization has established an effective marketing campaign.**

Previous to 1989, Export Credit Insurance programs were administrated by a department of the BMCE. Their role was strictly reactive and no marketing efforts were made because of lack of personnel and political will.

When the BMCE, a Moroccan public sector bank, administered the programs in the name of the State, other banks were hesitant to refer clients to them for fear of losing them to the BMCE. They saw them as a competitor. One of the first steps which SMAEX took when it started operations was to try to rectify the image problems related to the BMCE history. Its first marketing campaign was aimed at the banks:

i. SMAEX held seminars with four major banks (BMCE, BCM, Wafabank, Banque Populaire).

ii. The President of SMAEX met with all the heads of banks involved in export trade in Morocco.

iii. SMAEX distributed posters to all bank branches involved in export trade; two were hung in each bank.

iv. In particular, SMAEX established close relations with BCM to offer BCM's clients more services (seminars, exchange of credit information, etc.).

v. SMAEX advertised on the radio, in specialized trade magazines and newspapers.

vi. Pamphlets aimed at the banks and their exporter clients have just been received from the printers with a plastic stand for presentation purposes (see Annex IV-7).

vii. SMAEX produced a number of promotional items (pens, lighters, rulers, wallet calendars, etc.) for future distribution.

In all publicity and dealings with the banks, SMAEX has tried to show itself as a partner. The motto on all documentation is "The bank finances, SMAEX insures." One banker reported that all exporters are now automatically referred to SMAEX.

Fifty new insurance policies were issued in 1989 (an increase of 16.5% over 1988). This represented an additional DH 60 million in exports insured and DH 550,000 million in premiums.

Year	New Policies	Increase Previous Year's Policies
1987	+ 30	11% over 1986
1988	+ 23	8% over 1987
1989	+ 50	16.5% over 1988

This improvement in number of new policies could very well be a result of the marketing campaign targeting banks.

A consultant under the technical assistance contract is presently providing marketing assistance (as did the long-term resident consultant from 1987 to 1989). The Marketing Manager is now operational. He has had training at COFACE (the French export credit insurance company) and has been actively marketing SMAEX services since December 1988. A second Marketing Representative is now in training. At the present time the Manager's objectives are to meet with four exporters a week (insured and non-insured). In the last few months an average of 3 visits/week, mostly to exporters with inactive policies (no declarations under the policy) have been made. (SMAEX has 316 policy-holders, of which only 109 are active policy-holders). The number of visits should be increased once both Marketing people are operational.

With limited resources, the current collaborative push towards banks has been a wise marketing decision for reaching exporters. The banks have a large established client base, including exporters to whom they can pass on information. Banks often act as counselors to exporters and can refer them to SMAEX. The insurance also can provide banks with security (assignment of proceeds of the policy to the bank) for financing exports. This means that employees of bank agencies dealing in international trade must fully understand the insurance programs and its advantages. This is one of the aims of SMAEX's marketing strategy.

The current marketing strategy seems to have been effective. Relations with the banks need to be maintained, but a direct marketing strategy needs to be implemented. This strategy is being presently defined under the technical assistance contract.

f. **Consider the extent to which factoring companies compete with the new organization. If they do, are they somehow better addressing exporter needs and should the new organization be concerned?**

Despite a large amount of publicity at the present time, there appears to be only one company, Maroc Factoring, which is actively operating in the market as a factoring company. Maroc Factoring is a subsidiary of the Banque Marocaine du Commerce Exterieur, and has been in operation for one year. The Banque Commerciale du Maroc offers factoring services, but they are provided within their current banking structure to their existing clientele. Export factoring services are available at the BCM as an additional financing tool but are not actively marketed. Wafabank acts as an agent for an international factor (Factor France Heller). The Banque Marocaine pour le Commerce et l'Industrie has an affiliate involved in factoring. Despite the fact that these organizations exist, very few export services have actually been billed by factoring companies.

Maroc Factoring has signed only six export contracts in the last year. Details were obtained on the three types of services offered by Maroc Factoring:

i. **Accounts receivable management** (accounting and collection services). No one has used these services. There seems to be no interest in them.

ii. **Discounting without recourse and management of domestic accounts receivable.** This represents 99% of their business.

iii. **100% guaranty of payment of foreign accounts receivable and management of foreign accounts receivable.** At the present time, for legal reasons, Maroc Factoring cannot offer discounting services without recourse in the export market.

The third possibility is the service which could, in theory, become a competitor to the credit insurance services of SMAEX. There are a few reasons why this will probably not happen, whether offered by Maroc Factoring or any other factoring company:

i. When factoring companies issue a guaranty of payment on a foreign buyer they contact their own foreign correspondent. The foreign correspondent guarantees the payment to the Moroccan factor who guarantees the Moroccan exporter. The Moroccan factor pays a fee to the foreign factor which can be as much as half of the fee obtained from the exporter. Profit margins are reduced.

ii. In order to compensate the Moroccan factor for this lost revenue, factors will in most instances require that an exporter also use their services for their domestic business. The cost to the exporter is therefore doubled.

iii. The cost of guaranteeing payment and administering accounts can be quite high (from 0.9% for a large contract to 2.5% for smaller deals), compared to SMAEX's premium rate of 0.75% (see Annex IV-8)

iv. Small and medium-sized exporters often require guarantees of payment in order to obtain financing. Unless legislation is enacted, factoring companies in Morocco cannot assign the proceeds of a policy to a bank. Exporters cannot obtain the required financing.

v. Factors are not interested in small clients. Maroc Factoring will not consider an exporter unless they export a minimum of DH 5 million (or a domestic client unless they have sales of a minimum of DH 10 million).

vi. Factors do not provide political risk coverage.

vii. Factors usually have a more conservative approach to credit analysis. A slow payer will not be approved.

Factoring companies in Morocco do not compete with SMAEX at the present time. Their services in the export field differ from those of SMAEX in that, in addition to the foreign receivables guarantee provided, management of accounts receivables is given. This could interest smaller exporters whose accounting functions might be inadequate. There are two problems:

i. One of the main reasons smaller exporters subscribe to insurance is to obtain financing. As the policy proceeds can not be assigned to the bank with factoring, the guarantee provided cannot be used as a financing tool.

ii. The cost to small and medium-sized exporters of factoring services can be prohibitive, especially if the factor requires that domestic and export receivables be included.

Factoring companies themselves are not interested in providing services to small exporters. Guaranteeing export receivables does not provide them with the same margins as domestic discounting. Future marketing efforts will probably target domestic companies.

For these reasons the team does not believe that SMAEX needs to be concerned at the present time with factoring competitors. Unless legislation is enacted which allows factors to finance export transactions, the volume guaranteed by them will remain small.

2. EFFECTIVENESS OF PROJECT ASSISTANCE

a1. Has the technical assistance been adequate? Have the long-term and short-term technical assistants provided valuable service to their Moroccan counterparts? Has export credit insurance "technology" and "know-how" been effectively transferred?

The answer to all the above questions is yes. Technical assistance has played an important role in creating SMAEX and in ensuring that SMAEX operates as a private sector company. SMAEX is continuing to restructure and improve the services it provides to achieve its objectives of efficiently servicing the exporting community and increasing Moroccan exports with the aid of technical assistance. (Annex IV-9 gives a brief outline of technical assistance achievements to date).

The long-term resident technical assistant seems to have been the most useful and appreciated of the consultants. With 20 years of experience in the export credit insurance field, this person was able to work with SMAEX's management and personnel during the establishment of the organization and after its creation. The consultant was available on a daily basis to answer questions, solve problems, give direction and counseling, work on projects, etc. The long-term resident also worked closely with the short-term consultants in coordinating their work to achieve the goals and objectives of SMAEX's management and USAID.

Export credit insurance "know-how" seems to have been effectively transferred to personnel in many areas of the organization. The President of SMAEX came directly from an academic position before joining the organization. He had no in-depth knowledge of export credit insurance, a very narrow and specialized field. The long-term consultant was instrumental and successful in transferring to the President extensive information covering all aspects of export credit insurance. The Marketing Manager has benefited from training at COFACE and from both the short-term and long-term consultants who have imparted their combined knowledge and experience of over 30 years in the export credit insurance market. The Manager feels his outlook, motivation, methods of approaching clients, arguments and strategies have all improved due to this technical assistance.

a2. What future assistance is most appropriate?

In meetings between USAID/EASL/Devres, technical assistance needs were discussed. The following prioritized requirements have been determined:

Estimates of T.A. Budget as of March 1990

Funds Remaining	$423,000 (see Annex IV-10)
Cost Estimate of Approved T.A. Projects	Technical Assistance Description
$ 75,000	1. Marketing Strategy To continue the work underway to develop an effective marketing strategy: Communications, direct marketing, review of policies taking exporter needs/ expectations into consideration, marketing and policy monitoring systems, etc.
$ 25,000	2. Credit Information/Credit Analysis Consultant's work on analysis of credit information sources and improving in-house financial analysis is almost finished. Seminars on credit analysis to be made at SMAEX.
Already within scope of work of Credit consultant	3. "Diane System" Further cost/benefit analysis of acquiring system which provides access on French data base to Financial Statements of 100,000 French companies (France is SMAEX's largest market).
Funds Remaining after USAID Approved Projects Underway	$ 323,000
Cost Estimate of New Proposed T. A. Project	Technical Assistance Description
	The following technical assistance projects are of vital importance if SMAEX is to reach its goals of profitability and effectively serving the needs of the exporting community:

$ 55,000	1. <u>Medium-Term Consultant in Management Controls (3 months)</u> This would be the most crucial technical assistance and would be a very useful tool to SMAEX. A consultant to ensure that effective management controls are put into place: performance indicators, portfolio analysis systems, and other evaluation and control systems.
$ 4,000	2. <u>Accounting Follow-up</u> Provide advice in establishing additional cost accounting and other computerized financial information needs.
$ 15,000	3. <u>Computerization Follow-up</u> Provide assistance in various areas: accounting, marketing data base, credit information/analysis, spread sheets and associated training. This consultant will work closely with both the marketing and management controls consultants to prioritize needs.
$12,000	4. <u>Political Risk Study</u> Define nature of political risk from a Moroccan perspective in particular: Libya Iraq, and Algeria. To be in a better position to obtain adequate reinsurance for the appropriate price.
$ 7,000	5. <u>Review/New Policies</u> Design new political risk policies once political risk study and reinsurance pricing established.
$93,000	

Estimate of Remaining Funds under
T.A. Budget after above Expenditures: $230,000

Estimated Cost	Eventual T.A. Requirements
$ 12,000	- Training: in marketing, computers, exposure and credit analysis etc. (Important)
$ 25,000	- Creation of a video. (Less important)
$ 30,000	- Survey of export market and other follow-ups on marketing study. (Important for drafting of new commercial risk policies)
$ 10,500	- Initial fee + yearly subscription fee to Diane system. (To be determined)
$ 77,500	- Total

The need for this and other technical assistance should be reviewed near September 1990 after current technical assistance in various areas is completed. A decision on the Diane system will probably have to be made earlier (May 1990).

Equipment requirements under Technical Assistance are discussed in Section c of this evaluation section.

b. **Has the organization been receptive to the assistance provided? Have qualified counterparts been made available? How likely is it that the organization will continue to function effectively after the technical assistance ceases?**

SMAEX has been very receptive to the technical assistance provided, so that many of the consultants are being retained for other related areas of technical assistance. The organization feels that both the long-term and short-term consultants have been very well qualified. SMAEX has been particularly pleased that qualified Moroccan consultants were able to work under the program. Should any questions, problems or further requirements in their field of work arise, these technical assistants are more readily accessible than foreign consultants. This is also an important factor in SMAEX's ability to continue to function effectively after the technical assistance ceases.

There was only one instance where SMAEX was not satisfied with a consultant. Towards the end of 1987 this technical assistant provided an analysis of credit procedures and made an assessment of the risk portfolio. The report was not well received by SMAEX, although more recent consultants referring to the work have found it to be well done. The problem appears to have been more a question of personality clashes. Since then, SMAEX has taken great care in the selection of consultants. Further to recommendations submitted by the technical assistance contractors (EASL/Devres), all consultants have since been more than satisfactory to SMAEX.

As has been mentioned previously, SMAEX still requires technical assistance in a number of areas. Management of SMAEX has taken a policy of accomplishing tasks and modifications one at a time and of implementing them well. Technical assistance was not accepted in each specific area until SMAEX decided that the assistance was appropriate and the time was right.

The Managers at SMAEX seem to be very knowledgeable, motivated workers with a sense of pride in an organization they want to grow. The structure and services offered by SMAEX have been and will continue to be driven by the desire of the company to effectively service the needs of the exporting community. Until their goals are reached, changes in structure and services will continue to take place with or without the aid of technical assistance. Because of the above factors, the new organization will most likely continue to function effectively after the technical assistance ceases.

c. **Is the equipment acquired under the project appropriate for the intended use? What additional equipment should be purchased?**

Of the five categories of equipment, there are two categories discussed below:

- Computers
- Automobiles (see Annex IV-11)

♦ **Computers:**

i. Hardware: There was a long drawn-out debate between SMAEX, USAID and the various consultants as to which computer system should be acquired. A decision was made in September, 1989, to purchase a multi-user system where PC's can be connected without the need for transferring disks from one computer to another. This was a compromise reached between all parties. The computer hardware chosen seems to have the required degree of sophistication. Even though the computers might offer possibilities beyond their present requirements, they have sufficient capacity for future expansion needs, an important element in SMAEX's choice of computers. The additional cost for this additional capacity was relatively small. The computers can be easily maintained and serviced locally. There is still money in the budget for additional purchases, but these are not necessary at this time.

ii. Software: In April, 1989, SMAEX's management decided that the portfolio management program be re-written in DBase IV software. This way it is more accessible to Moroccan programmers. They were unfamiliar with the software "File-Pro" previously used. As mentioned in Section a, there is the possibility of purchase of the Diane system software and related hardware once consultants have recommended whether to buy the system. The present users of the system at SMAEX have indicated their preferred use of DBase IV, and that they are very satisfied with the hardware purchased.

♦ **Automobiles:**

The Project Loan and Grant Agreement governing this project calls for the purchase of two vehicles to facilitate the marketing program (Annex 2, Article II A.3 of the Agreement). One vehicle has been bought for use by the Marketing department. USAID questions the need for a second car. In addition, for some unknown reason, the car was not included in the budget for Technical Assistance.

SMAEX has requested a second vehicle for marketing purposes. The Marketing department has two marketing people, although only one is operational at this time. Each marketing person would have his own car. In many ECI companies, not every marketing person has his own car. There does not seem to be an absolute need for it here, either. Casablanca has the greatest concentration of exporters in Morocco. If both people need to be out of the office at the same time, one can take a taxi. With a present objective of an average of four visits a week for the Marketing department, the number of times people will need the one available car at the same time are not that great. However, if the number of visits increases, the need might change. At the present time the second marketing person is not operational. Until that time there is no need for a second car.

The Agreement does stipulate that two vehicles will be bought for marketing purposes. It is therefore recommended that USAID not refuse to buy a car, but reconsider the purchase at a later date when the second marketing person is operational and the Marketing department's plan is in place in mid-1990 (after the technical assistance recommendations for Marketing are finalized).

3. FINANCIAL SITUATION OF SMAEX

One of the issues not addressed in the scope of work but of concern to USAID is the commercial viability of SMAEX. The organization was profitable in 1989 (DH 4.3 million), but only because of interest earned on investments (see Annex IV-12).

SMAEX does not have financial projections for the next few years. They intend to do projections this year now that they have 1989 data for comparison and a more complete understanding of the export credit insurance business. In general, because of the nature of commercial and political risk insurance, financial projections for export credit insurance institutions are not easily established.

SMAEX hopes to cover operating costs with income from premiums within the next few years. No one in SMAEX's management was able or willing to give a more precise estimate of time. SMAEX intends to build a financially strong company. An encouraging step has been recently made in this direction. The Board of Directors will propose to the General Assembly in June 1990, that all profits be reinvested in the company. No dividends will be paid.

SMAEX basically covers two types of credit risks:

- **Ordinary Commercial Risk is insured by SMAEX for its own account.** In addition to the USAID special reserve fund and SMAEX's own established reserve fund equal to 36% of the previous year's premiums, SMAEX has obtained adequate re-insurance and excess loss re-insurance. **Should a large commercial risk take place, SMAEX's commercial viability will not be endangered.** In 1989, three French companies declared bankruptcy and SMAEX was hit with claims totaling DH 3.3 million. With reinsurance in place, SMAEX had to pay only DH 833,000 out of its own pocket.

  There is, of course, a substantial cost related to this reinsurance (approximately 51% of premiums in 1989). However, experience has shown its usefulness. Starting in 1991, management will reevaluate the level of reinsurance required according to its past experience and the growth of its various reserve funds.

- **Extraordinary Commercial Risk and Political Risk:** **SMAEX is the agent of the State for the political and extraordinary commercial risks it underwrites**. In the case of a political default, SMAEX pays the exporter in the name of the State. After much discussion between USAID, SMAEX and the GOM, a political reserve fund of DH 90 million was established by the Government to show its support for SMAEX. (The fund has now grown to DH 100 million). There is no provision for the fund to be replenished as political claims are paid, and there is no obligation for the GOM to maintain the fund in place.

At the present time, SMAEX has approximate exposure amounts in its three largest markets totalling DH 243 million (see Annex IV-13). Up-to-date information on other smaller markets was not available. The largest market is Iraq (exposure of DH 123 million) where coverage has been withdrawn since October 1989.

These large amounts could pose a threat to the viability of the organization. Management of SMAEX is very aware of this. This is the reason why SMAEX is trying to obtain additional funds from the Government to be prepared in the eventuality of a large political risk claim. SMAEX is also looking into reinsurance for political risks for this reason. Both items are a high priority for SMAEX.

Management of SMAEX and other Board members believe that the GOM is committed to supporting SMAEX, and that in the case of a large default the Government would intervene to secure SMAEX's financial position. The GOM has shown its support by creating a political risk fund, by allowing SMAEX not to levy VAT on insurance premiums, and by accepting to have SMAEX named as an agent ("mandataire") on the policies for the risks insured for the account of the State. These are all positive signs. However, all parties realize that this may not be enough.

Unless the political fund is increased and/or political reinsurance is in place, the financial situation of SMAEX could suffer a severe setback if a large political event of default were to take place, and the Government did not provide the required funds. Board members do seem very confident, however, that the Government would intervene to support SMAEX.

4. CONCLUSIONS

Sub-Purpose: The purpose of the export credit insurance component of the Project is to expand export credit insurance coverage.

SMAEX has provided increased coverage to exporters in its first year of operation:

Year	Value of Shipments Insured (in Millions)	% Increase
1988	DH 840	
1989	DH 923	9.9%

Shipments covered by type of risk

Year:	1988	1989	% Change
Commercial risks:	DH 559	DH 717	+28.2%
Political risks:	DH 280	DH 201	-28%

From 1976 to 1988, up to of 4% of insurable exports were insured under the export credit insurance program. This figure has increased to 4.5% in 1989 according to management of SMAEX. The decrease in political risk coverage is due to coverage for Iraq having been withdrawn in October of 1989. It is important to note that despite a 28% drop in political risk coverage, SMAEX was still able to increase exports insured by 9.9% overall (compared to 1988). As mentioned earlier in this report, DH 60 million in additional exports were provided by 50 new policy-holders. Whether these companies would not have exported had they not been insured is another issue addressed below.

Purpose: The purpose of the project is to increase exports by Morocco's private sector.

At this point, it is difficult to evaluate whether this has been the case although there are encouraging signs that the project has had a positive impact.

To establish a direct correlation between increased export credit insurance coverage and increased exports by the private sector is a difficult task to accomplish in any country. There is no mathematical formula or equation that will give us this answer in Morocco or anywhere else. The task is further complicated in the case of this project for the following reasons:

i. SMAEX has only been in operation for a year. The company is still in the process of restructuring its organization and programs. The company cannot be considered to have been in full operation for all of 1989.

ii. Complete Moroccan Export Figures for 1989 are not yet available.

Even if a) 1989 figures were available, b) SMAEX had been fully operational, c) certain categories of private sector exports (e.g., textiles, raw materials) had increased overall in Morocco, and d) there had been an equivalent increase of coverage for these same products by SMAEX, one could still not say that there was a direct link between both increases.

One can say, however, that increased insurance coverage might in the future allow the country's private export sector to increase its sales abroad. Certainly SMAEX's increased insurance coverage and a greater number of new insurees than under the BMCE program (in spite of political coverage being withdrawn in Iraq, the largest political risk market) is an encouraging sign.

Of the four insured exporters interviewed, none of them felt that SMAEX had helped them increase their exports. Three small and medium-sized companies had obtained insurance for financing reasons. One large company had obtained it for risk minimization. All four companies felt that insurance could, in the future, help them and other small and medium-sized companies increase foreign sales. There was no indication from any of these firms that export insurance had enabled them to be more profitable.

Constraints to Private Sector Export Growth where SMAEX can be of help:

i. **Financing:** As will be mentioned in more detail below (section III-B: Export Pre-financing Component), one of the basic problems of small and medium-sized companies (who form a large part of exporters in Morocco) is their lack of adequate capital formation. Their borrowing ability is limited by their poor financial condition. The insurance policies are a tool which can be of great use to these companies. Usually foreign receivables are excluded in determining the amount of a line of credit. Often banks are more willing to increase an exporter's line of credit if their foreign receivables are insured. The banks simply ask that the proceeds of the policy of insurance be assigned to them.

ii. **Market Diversification:** One of the basic problems of Morocco's exporting community is that 60% of the country's exports are directed towards the EEC. The insurance program can help exporters enter new markets and minimize their risks by evaluating credit and political risk of potential buyers in these new markets.

iii. **Lack of Knowledge:** In Morocco, as in many other countries, small and medium-sized companies are often not familiar with the range of services available to the exporting community and the advantages they can bring (marketing, technical, production assistance programs, etc.). There is a large education process which must take place, and SMAEX can provide some counseling and assistance through its personnel, especially its Marketing team.

Final Conclusion:

SMAEX has, to a large extent, been established in the manner described in the Project Paper and Project Agreement. The technical assistance provided to date has been appropriate and effective. Both the creation of SMAEX and the technical assistance provided have encountered problems and delays which the Project Paper could not have foreseen. Technical assistance is still required in many areas to fulfill the intent of the Project Paper and Agreement. The organization will have the structure, knowledge, and tools to function effectively after the technical assistance ceases.

All parties involved in this project worked very diligently to solve the problems which arose to the best of their ability and as quickly as possible. The end result, however, is the most important element: **SMAEX operates as a private sector organization**. SMAEX has provided increased insurance coverage and more efficient services to the exporting community. SMAEX does provide exporters with a useful marketing and financial tool through its insurance programs. The business community in general feels that SMAEX could in the future help to increase exports by Morocco's private sector.

The only dark point in this tableau is SMAEX's financial situation. If a large commercial risk occurs, SMAEX is reinsured. A great blow to the financial condition could occur if a large political default were to take place and SMAEX had to pay the exporter without the necessary funds being provided by the GOM. SMAEX's current efforts to obtain reinsurance and an unfunded line item in the Government's budget should minimize concerns over this issue in the future.

5. **RECOMMENDATIONS**

The following are recommendations concerning SMAEX, technical assistance, and reporting requirements under the Agreement.

a. **SMAEX**

i. **Delegations of Authority:**

a. **SMAEX should delegate some powers of authority to individual staff members** (for approvals of credit limits on foreign buyers and in other appropriate areas) when it judges the staff has acquired the desired degree of experience. At the present time the Management Committee meets for all amounts of approval. These levels of delegated authority would allow the President to consecrate more of his time to the general management of the company.

b. **SMAEX should be encouraged to obtain eventually some levels of authority for political risk insurance from the GOM.** The process of presenting all political risk insurance cases to the GOM commission only increases time delays in the processing of exporter requests. This is important if SMAEX wants to reach the goal of providing efficient service to its clients and potential clients. SMAEX will, however, have to ensure that its role in providing political risk insurance will remain that of an agent.

ii. **New Policies:**

SMAEX has the intention of establishing new policies of insurance for 1991. These policies should include a review of payment delays to respond to the needs of the exporting community and to be in harmony with existing legislation.

iii. **Political Risk Fund/Reinsurance:**

USAID should continue to support SMAEX in its efforts to convince the GOM to establish an unfunded line item in the budget for the eventuality of a large political default. USAID should also encourage and assist SMAEX in its steps toward obtaining political risk reinsurance. This is vital to the viability of SMAEX.

iv. **Cooperation with Other Trade Organizations and Associations:**

SMAEX should work more closely with other trade associations and organizations. This would, as with the banks, enable SMAEX to reach a larger number of potential or existing exporters.

b. **Technical Assistance:**

The section on requirements for future technical assistance goes into detail on the needs of the organization. Two areas of technical assistance will be reiterated here as they are of vital importance to SMAEX.

i. **Marketing:**

If SMAEX is to increase its revenues, it must increase its base of active policy-holders. SMAEX's marketing strategy will play a major role in attracting more exporters to take advantage of the insurance policies. At the same time the marketing team will be disseminating knowledge and information about exporting which is vital to building a solid base of companies which can help Morocco increase its exports. SMAEX's marketing strategy has been moving in the right direction. The technical assistance (which has, to a large extent, already been approved by USAID), will only improve and build on the work already established.

ii. **Management Controls:**

SMAEX has implemented various streamlining procedures in order to operate effectively. **To maintain SMAEX's efficiency, management controls, performance indicators, risk assessment and other control and evaluation mechanisms need to be established.** A medium-term advisor (3 months) to accomplish these tasks would be very useful to SMAEX, and should be approved by USAID.

iii. **Extending the T.A. Contract:**

USAID should consider extending the technical assistance contract which expires in September 1990. Money is left in the budget for further technical assistance that could be required. Additional technical assistance could follow up and improve on the work already accomplished.

c. **Reporting Requirements:**

i. **SMAEX:**

a. **Article 6.3 of the Agreement governing this project calls for annual <u>independent</u> audits of the new entity and the insurance reserve fund, copies of which are to be furnished to USAID. These audits have not been made and, as such, represents a technical default under the Agreement.** The need for these audits was discussed at SMAEX, and they asked whether a report from the "Commissaire aux Comptes" would be sufficient for the needs of USAID. Moroccan companies do not, in general, use auditors. USAID should obtain an opinion from the Legal department on whether a statement of verification of the reserve fund and the organization by the "Commissaire" would be sufficient under the Agreement. If it is not, USAID will either have to amend the Agreement or impose an audit on SMAEX.

b. **USAID should remind SMAEX that it should submit annual financial statements (1988 was submitted) and activity reports to USAID.** (Annex 1. Article IIIC of the Agreement). The activity reports include a description of marketing actions, new policies, computerization and other project activities.

ii. **EASL/DEVRES:**

The contractor should be reminded that semi-annual reporting is called for by USAID. Reporting requirements were met until April 1989, but subsequently, only one more report was produced in March 1990. These reports should include a summary of estimated funds by category remaining under the contract. In the past, training has not been accounted for separately in the billing by the technical assistance contractors. Technical assistance in the form of training will have to be allocated to the USAID "Training Budget" even though training has been provided within the scope of work of the technical consultants.

B. EXPORT PRE-FINANCING COMPONENT

1. EFFECTIVENESS OF THE COMPONENT

a. Has the program succeeded in targeting and reaching small and medium-sized firms and new users? If not, why isn't it reaching those targeted firms (e.g. collateral requirements, credit ceilings, etc.)?

Within the constraints, and subject to the reservations formulated hereunder, the program has to an acceptable degree succeeded in reaching new and established eligible small and medium-sized enterprises (SME's).

Eligibility criteria are summarized as follows:

- Equity must be less than the Dirham equivalent of $765,000, or the firm must not have used the existing official pre-financing facility;
- Specific orders for exports and, therefore, capacity to produce goods, must exist;
- Ownership must be private, with less than 50% GOM participation; and
- Financing must be exclusively for local goods and services, with a Moroccan local currency cost content of at least 50%.

Whether the firms targeted under the above definitions have been reached depends on the interpretation and the policies applied by the two administering banks, Banque Centrale Populaire (BCP) and Banque Marocaine du Commerce Extérieur (BMCE). Presumably, the last two criteria have, in principle, been respected, although this is practically unverifiable.

With regard to the first criterion, only an audit of the program would determine whether its conditions have been strictly applied. This is stated because BCP administers its credit facilities under the program as advances. Moreover, the way it extends facilities under the program is more like "topping up" BaM pre-financing. Both types of pre-financing accommodations are being granted over and above the bank's own credit extensions.

BMCE, on the other hand, which initially did not use the USAID program extensively, tends to be more restrictive in its policies of granting the USAID pre-financing. Moreover, they administer the facilities by having the borrower sign pronotes with maturities not in excess of one year. These notes are discounted at the rate of 11% p.a., as provided under the USAID program. Proceeds of the notes are credited to the current account of the borrower.

(Incidentally, discounting notes at 11% increases the yield of the transaction to the bank, since interest is deducted from the proceeds of the note at the time of discount, as opposed to being charged in arrears).

From a control point of view, BMCE's method is superior to the one applied by BCP. BMCE's pre-financing advances have an actual maturity date, so that if a note is not repaid on time, this would indicate that the borrower has not received export proceeds, or is encountering financial difficulties of another nature.

BCP mentions maturity dates in its quarterly reports, but these are really "review" dates, at which time the overall credit facilities extended to the borrower, including the USAID line, are reviewed. If the borrower's financial condition is satisfactory, the credit is renewed for another period of one year. BMCE applies the same principles; if the borrower's financial condition is good, new notes replace the old ones at maturity.

As a result of above practices, export pre-financing under the existing program can still lead to abuses, notwithstanding the "improved credit approval methods" outlined in the "Export Pre-financing Credit" section of the PP. The reason is that funds allocated through the project may very well be used for other purposes, since they are commingled with cash or credit generated from other sources. **It will be very difficult, if not impossible, to obviate possible abuses, which could only be revealed by exhaustive audits of borrowers' books, if at all.**

During interviews, both banks certified that in their opinion USAID facilities had been placed at the disposal of clients within the framework of an SME's normal needs.

Both banks also stated that as a result of the relatively modest sums of money available under the USAID facility, credit ceilings (encadrement) do not constitute a problem. However, private banks like Société Marocaine de Dépôt et Crédit (SMDC) and Wafabank indicated they would have a credit ceiling problem if asked to administer USAID pre-financing not removed from ceiling limitations. Although not independently verified by this evaluation, this may be due to spread considerations, as lending "ceiling restricted" funds at 11% is unattractive when banks can lend such funds at 13%.

BMCE, which has shown reluctance to disburse USAID credit, mentioned that this was due to cost of funds considerations. They have to borrow at 8% p.a., whereas their cost of funds are considerably lower. Hence, branch managers have to be forced to bring USAID's 11% facilities to the attention of potentially eligible customers. BCP did not mention this issue. Hence, the make up of their deposit base may be different, or their "management information systems" less developed.

Under the terms of the agreements (Article 15 of the "Conventions de Prêt") between GOM and the two Moroccan banks, BCP and BMCE are required to draw funds from USAID on the basis of a) projected volume of new loans during the following three months, and b) aggregate commitments previously approved. Consequently, the banks have to borrow at 8% from the Government which they, on the other hand, have not necessarily even disbursed to their clients. Moreover, they have to continue borrowing these funds for five years, irrespective of the level of their own USAID-based loans to customers. In view of the substantial cost of funds differentials involved, it is no wonder that BMCE has shown reluctance in "selling" USAID loans. It is also understandable that, because of GOM involvement and benefits derived from the structure of this Project Agreement transaction, the banks, and in particular BMCE, have in the past given a number of reasons (e.g., credit ceiling constraints) for not marketing these loans.

Participating banks and exporters did not mention collateral requirements as negatively impacting the dissemination of USAID facilities. Banks and borrowers agree on the level and the make up of security on the basis of the aggregate credit extended. The USAID facility is only one component of the total package.

b. **What firms are obtaining credit and why? What sectors do they represent? Are reflows going to targeted firms? Have GOM audits made?**

There are differences between the way BCP and BMCE have targeted the sectors to which the USAID pre-financing credit has been extended. BCP has focused its intervention on the fish and vegetable canning sectors to avoid relationship problems with their customers who would have difficulty understanding why concessionary facilities were being given to one sector and not the other. This reinforces the impression that BCP is using the USAID pre-financing to "top up" credit needs at favorable rates which cannot be satisfied under the BaM refinancing lines. BMCE, on the other hand, has disbursed their USAID-funded facilities to a wider range of export sectors, including fruit, vegetable and fish canning, citrus fruit, and textiles. BMCE has adhered more closely to the letter and the spirit of USAID conditions and restricted, to a greater extent, their facilities to those SME's unable to qualify for BaM pre-financing. This shows that, notwithstanding the relatively modest size of USAID pre-financing, the program has, in principle, achieved its objective.

With respect to reflows, BCP stated that since their credits are extended with review dates of one year, they are, in fact, granted on an "evergreen" basis. In this way, the loans are renewed for indefinite periods of time, provided the financial condition of the borrower remains good. BMCE, which extends USAID pre-finance by way of promissory notes with maturities not exceeding one year, replaces maturing notes with new notes, unless the financial condition of the borrower has deteriorated. Financing, therefore, is also provided on an indefinite basis.

The Project Agreement (see Article I, Annex 1, Section B.2.) states the following: "Reflows, including principal and interest, from the special export credit facility will be rechanneled through the facility to make additional loans to the target group specified above. The reflows will be rechanneled through the special export credit facility until AID and the Kingdom of Morocco agree otherwise in writing".

This text implies that the participating Moroccan banks would administer the funds provided by USAID in a separate account, and then a) make loans from that account, b) obtain repayment of these loans, and c) re-credit such proceeds, together with interest earned, to the special account. In this way, the special fund account would grow in size to reach an ever expanding number of eligible exporters.

The banks involved do not appear to be proceeding in this manner, and there are no reflows as prescribed in this section. **These banks commingle the funds borrowed from the GOM with their own funds, and credit interest to their income accounts, and any other fees or commissions collected as a result of their USAID-based lending activity. As a result, the GOM is in technical default, and an event of default has been created under the Project Loan Agreement. This has no effect unless USAID should decide to declare this issue an event of default, and advise the Government of Morocco accordingly.**

The aforementioned section further states that the use of reflows will be reviewed during the mid-term Project Evaluation. It would be useful to clarify this issue understanding that the two Moroccan banks borrow from their Government at 8% p.a., administer the credits, incur the credit risk, and cannot be expected do so without adequate compensation.

Both banks indicated that no GOM audits were performed. The Agreement (see Article IV, Annex 1) specifies the following: "Annual independent audits acceptable to AID will be made of the export credit facility to ensure compliance with the terms of this Agreement". **Since no audits have been performed, this constitutes a second technical event of default under the agreement. As before, such an event of default has no effect unless USAID would decide to invoke this breach to the terms of the agreement and declare it an event of default, again advising the Government of Morocco accordingly.**

It should, however, be mentioned here that in the "Conventions de Prêt" between GOM and the banks, Article 19 states that the bank in question will annually conduct an independent audit, deemed acceptable to USAID, with the objective to certify that funds have been disbursed in accordance with the terms of the "Convention". The GOM has therefore placed the onus on the banks. It is not clear how the banks can themselves conduct independent audits of their own credit approval and administration procedures.

The above section of the annex leaves it up to USAID to define the scope of the audit. Such an examination should confine itself to determining that the provisions of the Project Agreement, as they apply to the export credit facility, are met. An audit could, for instance, cover issues like:

- Verification of the items provided by the quarterly reports of the banks. These reports contain little information. BCP's reports mention, in the last column under the heading "observations", the letters P.M.E. They state that this implies that the loans have been granted within the framework of the agreement between them and the GOM. BMCE's reports give more detail, such as the borrower's common stock, specifying whether it is private capital or not, as well as the level of BaM pre-financing which is available or used.

- Whether USAID credits finance the local cost components of the goods made or processed in Morocco with at least 50% value added.

As the participating banks are to refund in one lump sum the loan funds onlent to them by GOM five years after the date of the first disbursement, the banks carry all insolvency risks associated with the program. As a consequence, USAID would not have cause to review the loan quality of the banks' portfolios.

c. **Are borrowing firms increasing their exports? Is that increase measurable?**

Both banks use USAID pre-financing mainly to complement BaM pre-financing, as well as their lines of credit based on their own resources. It is, therefore, not possible to establish to what extent USAID's credit component, or for that matter any other credit component, in and by itself, contributes to an increase in a borrower's exports. Nonetheless, and although the program is modest, **it has assisted a number of enterprises to enhance their export capabilities.**

d. **Could borrowing firms have obtained credit from other sources?**

Borrowing firms could have obtained credit from other sources. BMCE and BCP claimed the following was a general profile of their pre-financing composition: a) when USAID pre-financing is involved in the make up of a borrower's overall lines of credit, it will generally represent between 1-5% of the package; b) the BaM pre-financing credit will provide the next tranche of between 5-10%; and c) the bank's own lines will constitute the remaining 80-90% of the facilities. The different types of facilities will, of course, vary from one customer to another, but may comprise:

- a line of credit under which import documentary credits are opened to purchase raw materials, and guarantees are issued to port and customs authorities.

- advances into a current account to finance stocks of raw materials, work in process, and finished goods.

- a line of credit for the discount of sight or accepted documentary time drafts covering exported goods.

If appropriate, banks will insist on export insurance to cover commercial, as well as political risks. BMCE has its own factoring subsidiary, "Maroc Factoring", which, as yet, has no GOM authority to purchase receivables, but which provide commercial risk export guarantees. No institution in Morocco engages in "forfaiting".

e. **How has working exclusively through public sector banks (BMCE and BCP) affected the component?**

One could consider that the **exclusive** use of these two banks has negatively impacted the pre-finance component, since exporters have their own banks, and are therefore not necessarily aware of the USAID facilities made available through BMCE and BCP. However, this does not mean that opening up the program to all banks would lead to increased effectiveness.

There is hardly any difference in Morocco between the management principles, as well as the basic credit philosophies, of the public and the private sector banks. In this sense, Morocco reflects the French banking sector where public and private banks have co-existed for so long that there is little distinction between them. In addition, in accordance with a privatization law recently promulgated in Morocco, all public banks are to be privatized over time. Consequently, private versus public sector considerations do not play a major role in this issue, and the issue will disappear in the not too distant future.

As to whether pre-financing credit should be made available through all banks, the two participating banks agree that USAID assistance should be made available through all banks, and not restricted to them. They point out, however, that at the present level of USAID's intervention, this would render the program inoperable. Only if USAID assistance was substantially larger would a program through all banks become feasible. According to recent figures, BaM pre-finance discounts amount to more than DH2 billion, compared to DH36 million outstanding under the USAID pre-financing component (see Exhibit V-1).

f. **Under what circumstances might private sector banks participate in the program and how might their participation be expected to contribute to the realization of the project purpose?**

This question has in a large measure already been addressed by the answers given in (e). It has been said in previous reports that private sector banks would only be interested in participating in this program if USAID pre-financing were taken out of "encadrement". Both banks questioned felt that credit ceiling issues would only become important if the amounts involved in this type of assistance were far larger. It should be noted that under the existing Project Agreement, private and other public sector banks cannot be involved unless this is approved by GOM.

One bank felt that if the pre-financing program could be increased and combined with an appropriately sized guarantee fund, this could constitute an important contribution towards improving Morocco's export performance.

g. **Under what circumstances would the obligation and disbursement of the remaining funds contribute to the realization of the project purpose? What conditions should USAID Morocco place on the obligation of the remaining funds?**

We propose to address this question in the recommendations section of this report.

2. **CONCLUSIONS**

a. **Contribution of the Component**

On the basis of circumstances which existed at the time the project was devised, the objectives of the project have to some extent been reached. However, the real value of the pre-financing program has only had a minimal effect on development and support of the export sector.

b. **Constraints to Private Sector Export Growth**

Morocco's economy in general, and the export sector in particular, suffer from the absence of sufficient capital formation to create sizeable production units with sufficient levels of equity. Consequently, most units producing for export are small to medium-sized enterprises which often have an inadequate capital base. Major consequences include the following:

- ♦ banks are obliged to supplement inadequate levels of equity by providing substantial loans for investment and working capital purposes
- ♦ the borrower represents an above average risk, as his capital inadequacy affects his ability to weather reverses of a commercial or other nature
- ♦ the fragility of the borrower's financial condition makes it difficult for him to expand his production capacity and to diversify his foreign markets. This also makes the Moroccan producer a price taker
- * capital inadequacy impairs the ability to improve production and technological capabilities, systematize and modernize administration, and otherwise apply economies of scale
- ♦ high rates of interest lower the exporter's net profits, lessen retained earnings, and make it difficult to maintain sufficient equity to alleviate the burden of debt

The result is that the Moroccan exporter's competitiveness is affected by all the consequences mentioned above. These factors represent severe constraints on the future growth of Morocco's economy and on its ability to measurably increase exports, and thus improve its debt position.

c. Changes in Market and Competitive Factors Since Origination

At inception, the target group of the project was principally small start-up operations. Because of changes which have occurred since then in Morocco's export markets, such small entities are no longer necessarily viable, or for that matter useful organizations able to play an effective role in the development of this sector. USAID might, therefore, consider revising eligibility requirements so as to aim at a broader range of companies in terms of size. On the other hand, in view of the introduction of other programs, one may wish not to change requirements. The changes referred to above result from the perception that future potential export markets, like North America, require greater production capabilities, modern production methods and economies of scale, elements presently non-existent in the export sector addressed by the program.

d. Constraints Affecting the Program

Although the pre-financing program is small in terms of its impact on the export sector, its availability is further constrained by cost of funds considerations, both on the part of the participating banks, as well as on the part of the exporters. As already mentioned, BMCE, in particular, feels that the cost of funds feature, which obliges them to borrow for 5 years at 8% from GOM, is an obstacle to the program. GOM and all other parties concerned are affected by the concept that USAID is lending $ 4.5MM, or potentially $ 8MM, of additional foreign exchange to GOM at the present rate of 2% p.a. for 40 years, while the Government is making a spread of 6% when lending the dirham equivalent for 5 years to the participating banks.

e. Final Conclusions

The a) modest amounts involved in the program, b) simplifications and delegation of authority the BaM has introduced to make its pre-financing facilities readily available, and c) perception that changes in the external environment will generate diversification of export markets and bring about the constitution of larger and more efficient production units lead us to believe that the usefulness of USAID's pre-financing program, as originally conceived, has declined.

3. **RECOMMENDATIONS**

The last question of the Scope of Work reads as follows: Under what circumstances would the obligation and disbursement of the remaining funds contribute to the realization of the project purpose? What conditions should USAID Morocco place on the obligation of the remaining funds?

So far as the impact of releasing the second tranche is concerned, it may assist an additional number of borrowers in the two participating banks, but **its impact on the SME export sector will be minimal. However, for political reasons USAID may nonetheless want to consider the question more closely.** The following options are possible alternative courses of action.

a. **FIRST OPTION: USAID decides to proceed with the release of the second tranche.**

The conditions which might usefully be considered could include the following:

- **Clarification and elimination of the technical default concerning reflows, as they appear in Article I, Annex 1, Section B.2 of the Project Loan Agreement, by elimination of this clause. The provision concerning reflows should be eliminated**, since it reflects the assumption that the participating banks could, or would, provide their lending expertise and services without adequate compensation.

- **Expectation that the GOM arrange, and pay, for the services of an outside auditor to address the issues touched upon in the above findings. Release of funds under the second tranche should not be effected until the audit is completed and the existing technical default remedied.** As stated earlier, GOM has introduced audit requirements in their "Convention" with the two banks, thus transferring responsibility to them. No provision authorizing the GOM to do so was found. If it does not exist, GOM acted beyond the scope of the Project Loan Agreement and continues to bear responsibility for accomplishing the audit.

- **Granting of credit on the same terms as the BaM.** BMCE has trouble with its cost of funds under the loan agreement with GOM. Moreover, GOM has imposed drawing obligations on the banks, which tend to increase the return of the transaction to the Government. Exporters interviewed who are benefiting from a USAID pre-finance credit line, unless dearly in need of money, indicated they would use the BaM pre-financing discount facilities because of the cost differential of 9%, versus 11%. Unless there is a good reason we have not perceived, USAID credit should be granted on similar, if not identical conditions, to those applied by the BaM. As the

BaM disburses its credit by way of discount of drafts drawn by the bank on the borrower, there is a yield benefit to the banks, unless they rediscount the paper immediately. In other circumstances, we would recommend that negotiations be initiated with GOM to insure that: a) USAID pre-financing loans to borrowers bear the same rate of interest as BaM discounts, e.g. 9% p.a.; b) GOM accordingly reduce its lending rate to the banks from 8% to 7% p.a.; and c) GOM amend the "Conventions de Prêt" onlending and modify (re)payment procedures to accommodate the banks. However, in view of a) political considerations, b) reasons USAID might initially have had to set rates above those of BaM pre-financing, and c) the modest size of the program, it is suggested no action be taken on this particular issue.

b. **SECOND OPTION: USAID decides to cancel the whole pre-financing program, suggesting to GOM that the funds in use be progressively refunded as they become available, and that these funds, together with the second tranche of $ 3.5MM, be allocated to the Guarantee Fund presently under consideration.**

This is an option which might be considered, but one which would likely be resisted by the participating banks, in particular BCP, which has lent nearly all available funds and would argue that such a move could undermine the relevant borrowers. Such an option may have to be discarded on the grounds that it could affect USAID's credibility, and trust in its commitment to pursue programs, unless there is a good reason, on the part of all parties involved, to terminate them.

c. **THIRD OPTION: USAID decides to do nothing.**

One would presumably decide on such a course of (in)action in order to not be exposed to the consequences of eliminating technical events of default. These issues should, in principle, be taken up with GOM, unless one determines for political reasons to act otherwise.

d. **FOURTH OPTION: USAID decides to transfer the second tranche to the projected Loan Guarantee Fund.**

This option is recommended for the following reasons: a) it would enable USAID to increase the initial contribution to the guarantee fund, b) USAID would demonstrate its capacity to act beneficially in the interest of Morocco, and c) this option places USAID in a strong moral position if it decides to approach the Government on the subject of curing technical events of default. **We perceive no negative effects in selecting this course of action. However, USAID is encouraged to notify GOM of its decision if it selects this option.**

4. RECOMMENDATIONS RELATED TO THE CREATION OF A LOAN GUARANTEE FUND

a. Introduction

During the team's interviews, as recorded in the findings, one bank made the comment that if USAID's pre-financing program were to be increased, so as to have a substantive impact, and if it were combined with an appropriately sized guarantee fund, this could constitute an important contribution towards improving Morocco's export performance.

Elsewhere, in our conclusions, it is mentioned that banks are obliged to supplement inadequate levels of equity by providing substantial loans for investment and working capital purposes.

Finally, in the fourth option submitted in our above recommendations, the team suggested that USAID might consider transferring the second tranche of the pre-financing program to a projected Loan Guarantee Fund.

During the fulfillment of the investigations to cover the scope of work, the issue of a Loan Guarantee Fund was discussed with some banks, principally BMCE and BCP. At that time USAID envisaged the Guarantee Fund as a complement to the existing pre-financing program, e.g., the Fund would be focused on providing guarantee support to exporters and banks for short-term working capital purposes.

Interviews with the banks indicated that their needs with respect to such a program were more situated in the medium-term area of investment credit, rather than in the short term. As a result, during various meetings and in the course of subsequent interviews with other banks, the team made a number of recommendations and observations. These are summarized hereunder, together with the rationales which led to their formulation.

b. Recommendations

i. Medium-term investment guarantees versus short-term export prefinancing/working capital guarantees

♦ **The team recommends that the focus of the fund be shifted from short-term refinancing working capital guarantees to medium-term investment guarantees.**

The reasons for doing so are as follows:

♦ The Moroccan economy needs to expand its export capacity so as to generate incremental foreign currency to improve the country's trade balance and current account position. To do so, Morocco must increase the production capacity and improve the efficiency and competitive position of its export industries. Therefore, there is a need for programs to assist in enhancing these features, principally in generating a greater amount of investments. In the export sector, this process is handicapped today by the absence of sufficient capital. The main source of capital lies within the banks, primarily and unfortunately in a large measure in the form of loan funds.

Banks, being in most instances lenders rather than investors, require optimum security when assisting firms in the process of creation, or enterprises wishing to expand production and markets by exporting. Hence, medium-term investment programs that provide additional comfort to the banks assist existing firms in increasing productive capacity for export.

The macroeconomic reasons are key elements in devising a guarantee program that addresses the crucial needs of the country. There are also practical considerations with regard to the selection of a medium-term program, versus short-term working capital intervention:

- Banks are not willing to lend on a medium-term basis for investments which evidence a lack of collateral, or are effected in an area unfamiliar to the bank. The support of a guarantee permits a bank to assume investment risk.

- The ability to issue guarantees for a finite period of time, and with a declining feature, is attractive. In Morocco, as in many other countries, banks lend in principle on a short-term basis. However, one consequence of the shortage of equity is that such short-term lending complements a lack of working capital, with borrowings continuously rolled over. Short-term thus become indefinite long-term, unless the financial condition of the borrower deteriorates and the loan is called.

  As a consequence, short-term guarantees for periods of up to one year do not necessarily fit the lending patterns of Moroccan banks. There would, presumably, be instances in which such short-term guarantees might find a place, e.g., to cover larger than usual orders, for which additional short-term financing is required. Banks told us that such cases would be sporadic and principally occur with much larger enterprises, not qualifying for the underlying program.

ii. **Collateral requirements: objective reduction of security, increase of risk, or both**

The team recommends that the terms and conditions of the project description should not attempt to define what the collateral requirements of the banks should be, as risk and security are part of the credit evaluation process and cannot be separated.

Situations will vary from case to case, depending upon the evaluation of the risk, and the determination of the amount of security required to cover that risk. The role of the USAID guarantee is precisely to bridge the gap between greater risk and insufficient security.

iii. **Loan eligibility and terms governing guarantees**

The team recommends that the project description be wide enough to encompass the terms and conditions governing the medium-term export investment lending programs provided by domestic and international institutions.

In this context, it is proposed that the project formulate the following terms:

- Principal amount of each guarantee not to exceed 50% of the loan amount. In turn, the loan amount not to exceed 70% of the investment. Finally, the investment amount not to exceed the highest upper limit set by existing domestic and foreign medium-term export investment lending programs.

- Unless guarantees, limited to principal, are acceptable to the banks, guarantees are to cover principal, interest, commissions, fees and expenses, in order to conform to existing banking practices in Morocco.

- Tenor of the guarantee not to exceed 7 years.

- Grace period of loan not to exceed 2 years.

- Scheduled repayment period not to be less than 4 years, and to require, as a minimum, semi-annual installments.

iv. **Eligibility of borrower**

- From information received, medium-term export investment lending programs of domestic and international institutions have varying eligibility requirements. In addition, the interpretation of accounting terms, such as "net assets", diverge considerably from those used in the United States.

Consequently, **we recommend that after careful and complete review of existing criteria, borrower eligibility conditions be defined in such a manner that guarantees can be issued under all available programs.**

v. **Availability of guarantee**

- The team has determined, in the case of a default, at what point a bank should be allowed to draw under the guarantee. After researching this issue with banks and the USAID attorney, **we recommend that the guarantee provide for prior exhaustion by the bank of its recourse against the borrower.** In order to narrow down this issue, we conclude that the guarantee should be made available for drawing after the bank has obtained a judgment from a Moroccan court with respect to securing the guaranteed loan.

- After conclusion of our interviews, we have also determined that at the time the guarantee is honored, the Guarantee fund should require that it be subrogated into the rights of the bank against the borrower for an amount equal to the amount it paid under the guarantee. Under the terms of such a subrogation, the bank and the Fund should share in any subsequent recovery on a pro rata basis, the Fund's share being equal to the percentage of the principal amount of the loan it guarantees. This would apply to a guarantee limited to principal. If the guarantee also covers interest, commissions, fees and expenses, subrogation provisions would also have to specify that recoveries of these items must equally be shared on a pro rata basis, the Fund's share being again equal to the percentage of the principal amount of the loan it guarantees.

  In this respect, **it is also recommended that any recoveries made by the Fund be applied to the repayment of the obligations the Fund paid under its guarantee, in the following order: interest, commissions, and principal.** The reason for this recommendation is that if the guarantee instruments issued by the Fund also covered interest, fees, commission, etc., under the subrogation provisions, the Fund would want to recover these items ahead of collecting principal.

- USAID was apprised of the fact that if no provision was made that the banks continue to require a nominal 100% collateral from borrowers, and a bank would reduce its nominal security requirements to 50% of the loan amount because of the presence of the Fund's guarantee, then, in the case of a default, the above subrogation requirement could not be applied, and the bank would be entitled to all subsequent recoveries obtained from the borrower. The Fund would consequently have no means to recover any portion of the amount it paid to the bank at the time it honored its guarantee. This issue was reviewed with USAID's counsel.

vi. **Audits**

- Since the guarantees to be issued the Fund will be granted for periods of up to seven years, **audits of the program should include an evaluation of the credit quality of a participating bank's portfolio guaranteed by the Fund.**

  The reason for this recommendation is that if a bank knows that its credit decisions will subsequently be scrutinized, this constitutes an additional insurance that the Fund will not be exposed to undue risks, and thus larger than expected pay-outs.

vii. **Institutionalization**

- As presently designed, the Guarantee Fund will, during the first 2 1/2 years of its existence, be managed by Citibank. During the team's talks with various banks, it appeared that institutionalization of the Fund, by means of establishing a new Guarantee Corporation in the Moroccan private sector, was favored. The Guarantee Fund managed by Citibank would be transferred to this new organization and constitute its reserve.

- The creation of a separately incorporated body to administer and bear overall responsibility for the fund is preferable. Moreover, such an organization would be able to leverage the Fund on the basis of the loss experience recorded during its initial years of existence. If one assumes that the loss ratio was on average a high 10%, the Guarantee Corporation could leverage the reserve fund ten times, producing a guarantee insurance capacity of some DH 800 MM. This could have a major impact on the development of Morocco's export sector.

  In addition, the team envisaged that participating banks would become shareholders of the Guarantee Corporation, or otherwise provide grants to its reserve fund. These suggestions were generally well received by the banks in interviews with the team. Their management participation was also proposed, with less encouraging response.

- The team also suggested that such a Guarantee Corporation might be internationalized by capital participation from the GOM, on the one hand, and from international organizations like the IBRD and IFC, the European Investment Bank, the African Development Bank, etc. Such international bodies might also contribute to the management and/or the oversight of the organization by either participating in its management and/or being represented on its board.

C. EXPORT PRODUCTION AND MARKETING ASSISTANCE COMPONENT

1. IESC ADVISOR TO THE CMPE

a. To what extent did IESC's CMPE advisor contribute to improvement in CMPE's overall efficiency and service to Moroccan exporters?

The CMPE advisor's chief task was to help the CMPE improve efficiency and service to the Moroccan export community to further export growth. Activities were to include trade promotion, investment and institutional assistance, training and export education.

The advisor's contribution to the CMPE's overall efficiency and service was fourfold: a) helping to initiate an English-language training program at the CMPE; b) assisting product specialists with market and regulatory requirements to help them assist exporters in their respective departments; c) getting two agricultural products approved on the U.S. Generalized System of Preferences; and d) generating contacts between Moroccan producers and potential U.S. consumers. Language training, market analysis, product promotion, contacts and salesmanship all support the task of strengthening CMPE's efficiency and service levels. Nevertheless, the advisor's contributions will not have a long-term impact on CMPE because: a) the English-language training program has been discontinued; b) some of the product specialists have since left to work for banks, companies or other institutions; c) CMPE lacks the personal contacts abroad to substantially increase export earnings; and d) the broader questions of CMPE's proper role, autonomy, organizational structure, funding, staffing mix, etc., have yet to be resolved. As such, **the advisor's contribution to efficiency and service levels at the CMPE was limited and short-term, due more to institutional constraints (see #b below and Annex VI-1) and the advisor's focus on generating tangible export orders (see #e below).**

b. Was knowledge transferred in a manner that has led to institutionalized changes that continue to benefit the CMPE and Moroccan exporters after the departure of the CMPE advisor?

The advisor succeeded in convincing the CMPE that improved English-language capabilities would help CMPE's export promotion activities to become more competitive with other nations' export efforts. As a result, the advisor arranged for a Peace Corps volunteer to provide English-language training to the CMPE. The CMPE now has a number of people who have a reasonable command of the English language, and this will assist exporters and offshore buyers. However, the English-language training program has been discontinued, most publications are outdated and/or not available in English, and the Moroccan export community's command of English is limited. Other constraints (see Annex VI-1), such as not having a permanent assistant to take over the advisor's role, insufficient numbers of trained marketers at the CMPE, lack of overseas offices and lack of organizational autonomy all reduced the advisor's ability to institutionalize changes at the CMPE.

Thus, while knowledge was transferred, it appears that **knowledge was not transferred in a manner that would lead to institutionalized changes that would benefit the CMPE after the advisor's departure.**

c. **What specific new services were initiated by CMPE on the IESC advisor's recommendation (e.g., seminars, advice on promotional packages)? Have the exporters found the services useful and have the services helped to improve export performance?**

The IESC advisor recommended a more transaction-oriented focus to the CMPE, and downplayed the use of widely distributed information lacking in targeted focus. **Given the advisor's bias toward export orders rather than broad support services, the CMPE did not initiate new services based on the advisor's recommendations.** The CMPE advisor's main contribution to the export community was serving as an intermediary to forge links with the U.S. market. The advisor a) presented samples to U.S. consumers and manufacturers, b) arranged trial orders, and c) tried to sensitize Moroccan entrepreneurs and CMPE product specialists to the importance of quality control, packaging, timely delivery, etc. **Exporters found the advisor's and, consequently, CMPE's services useful. It is difficult, however, to determine if there has been any improvement in export performance.** Based on conversations with the CMPE, lack of orders from the U.S. market continues to be a problem. This is partly due to problems and constraints facing the export sector that the advisor addressed in his recommendations on making the CMPE more efficient (see Annex VI-2 for a summary of constraints).

d. **Did the CMPE advisor work closely with AID throughout the project, provide AID with improved knowledge of the Moroccan export sector and suggest an effective strategy for greater AID involvement in the Moroccan export sector?**

The CMPE advisor did not work closely with USAID throughout the project (1986-1988). Personnel turnover at the USAID Private Enterprise office limited collaboration as the project proceeded. Since 1988, however, the advisor has worked closely with USAID (see discussion of TIS below) to provide the Mission with a better understanding of: a) constraints to export sector development (see Annex VI-2); b) opportunities for exportable Moroccan products (see Annex VI-3); and c) individuals in the export community and

Government with whom USAID may wish to maintain contacts for continued understanding.

The CMPE advisor's suggested strategy for greater USAID involvement in the Moroccan export sector was limited, and cannot be considered effective as the strategy has not been implemented. The CMPE has not gone through a reorganization; a marketing specialist has not been placed in New York; and an English-language export business program has not been developed with a Moroccan teaching institution.

e. **Are the CMPE advisor's recommendations valid and practical?**

The CMPE advisor's general recommendations for the CMPE include: a) a revised focus emphasizing a more commercial orientation that generates orders for Moroccan exporters and fills the existing "marketing gap"; and b) an action plan emphasizing commercialization, strategic planning, CMPE autonomy, export promotion offices abroad, training, staff reorganization and use of the English language. These recommendations downplay the role of CMPE's more traditional support activities (e.g., trade fairs, seminars, business roundtables, provision of commercial materials), and are transaction-driven.

The recommendations are generally practical on the assumption that CMPE undergoes a reorganization that provides it with appropriate autonomy, funding, personnel and focus. At the time the recommendations were submitted, they were impractical due to a lack of GOM consensus on how to make the CMPE more effective. (The CMPE still appears to have no particular mandate, focus or direction.) Another weakness is the recommendations reduced other important considerations to "peripheral" status (e.g., limited capacity of most Moroccan producers to export, their general unwillingness to merge, the importance and potential benefits of <u>well-staged</u> trade fairs). However, the recommendations are generally sound, and **the advisor's action plan should be viewed by the new Ministry of Foreign Trade as a constructive contribution to the role CMPE could play in export promotion.** (Annex VI-4 highlights the advisor's proposed CMPE Action Plan).

The CMPE advisor's specific recommendations include: a) having USAID supply a marketing specialist to CMPE in Casablanca and New York in conjunction with a CMPE reorganization; b) having USAID assist in the development of English-language training in export marketing, international business and business management with a Moroccan teaching institution; c) having Peace Corps provide English language instruction to CMPE on a permanent basis; d) having Peace Corps assist with packaging, pricing and product design for export for a CMPE Artisanal Department; e) having the GOM commit needed financial resources to facilitate the CMPE's ability to generate commercial orders for Moroccan exporters; and

f) having the GOM use all its resources to promote export development, including awards of recognition and emphasis on the use of English language training and export education. As with the advisor's general recommendations, these recommendations would assist with the CMPE's export promotion activities. Nevertheless, a mandate is required to reorganize, refocus and properly finance the CMPE. **Until this occurs, the advisor's specific recommendations are limited in their effectiveness.**

2. IESC TECHNICAL ASSISTANCE ACTIVITIES TO MOROCCAN FIRMS UNDER THE ORIGINAL COOPERATIVE AGREEMENT

a. **In what areas of export production and export marketing has IESC provided assistance? To what type of firms?**

As of 3/29/90, IESC had provided assistance to 72 projects under the current Cooperative Agreement. Assistance has been provided in: a) textiles/garments (29); b) agro-industry (11); c) fishing and processing (6); d) paper goods (6); e) chemicals/plastics (6); and f) miscellaneous areas of manufacturing and trade (14). Most assistance (63/72 completed projects) has supported export production activities. Nine export marketing projects have helped associations in textiles, agro-industry and fishing.

Assistance has been provided to a wide range of firms based on sector, scale and turnover. **Most assistance has been directed at textile manufacturing and agro-industrial firms with more than 250 employees and greater than DH10 million ($1.25 million) in annual turnover.** Manufacturing has predominated due to the export focus of the program. In other IESC countries, services (e.g., banking, insurance, transport) are more widely represented than in Morocco. The size of enterprise has been comparatively large due to the general inability of small-scale firms to export or fully benefit from IESC services; **33/59 export production projects involved more than 250 employees, with the mean at 415 employees per project; 49/63 export production project firms had annual turnover of greater than DH10 million, and a large number (18/63) with greater than DH30 million.** Annexes VI-5,6 detail assistance to firms based on sector, scale and turnover.

b. **Have the firms found that the assistance in production and marketing has met their needs, and has the assistance had a measurable impact on the firms' exports?**

Based on 27 Client Evaluation Forms (38% of all projects to date receiving IESC assistance under the Cooperative Agreement), **68% found IESC assistance in production and marketing had met their needs, while the IESC claimed an 86% success ratio.** These projects constituted a diverse sample of sectors, employee ranges, turnover and locations. Annexes VI-7,8,9 profile project success measures. Meetings with five randomly selected firms (4) and associations (1) in Casablanca expressed general satisfaction with IESC assistance; all projects had received assistance between 1986-1988, and collectively represented 9/72 projects.

It does not appear that IESC has had a measurable impact on firm exports. Determining a measurable impact of any sort is difficult because Moroccan businessmen are reluctant to share financial information, production figures, etc. In addition, capacity constraints, weak marketing, traditional focus on the local market, and other factors explain difficulties in increasing exports.

However, **it does appear that in many cases, IESC assistance has made Moroccan export firms more efficient in reducing production costs, and therefore more competitive.** As most of IESC's assistance has been production-related, **IESC appears to have met most of the firms' stated assistance needs without having a measurable impact on exports.** It was not possible to determine how IESC beneficiary firms had performed relative to general Moroccan export trends in recent years. (See Annex VI-10 for Moroccan export market trends.)

As IESC is expected to complete 130 export production and 15 export marketing projects by June 1991, **there may be a risk over the next 15 months of a quantity emphasis that could possibly detract from quality.** IESC had only completed 72 projects as of March 1990, leaving 67 export production and 6 export marketing projects to successfully complete. **In order to meet its target, IESC will have to average about five completed projects per month for the remainder of the Agreement.** Therefore, pressure to meet its target may affect project quality.

c. **How might IESC production and marketing assistance be altered to achieve greater effectiveness?**

Key problems affecting the effectiveness of IESC production and marketing assistance have been: a) periodic improper matching of Volunteer Executive (VE) skills and inability of firms, primarily small-scale, to benefit optimally from VE assistance; b) frequent inability of VE's to communicate in French, and equally frequent inability of Moroccans to communicate in English; c) the limitations of firm-specific assistance, which has lessened IESC coverage; d) lack of cultural orientation and adaptability of some of its VE's; and e) past organizational problems, including turnover, personnel shortages, office space, poor telephones and ineffective use of the National Advisory Council (see Annex VI-11 for a listing of the NAC).

If changes are to be made in IESC assistance, they might include: a) presenting enterprises, particularly larger ones, with the resumes of more than one VE candidate for more direct input into the selection process; b) recruiting more French-speaking VE's, including non-Americans; c) using Export Development Activities Fund (EDAF) monies to complement its firm-specific focus in the export sector with public-relations-oriented activities that address more generic marketing and production problems, particularly on the marketing side; d) better preparing VE's on Moroccan culture before they arrive (e.g., intern-prepared fact sheets on history, economics, politics, culture; Peace Corps background handouts); and e) providing more staff for continuity in Casablanca to promote IESC activities, actively engage the National Advisory Council for tangible assistance, and develop linkages with business management institutions. **Based on Client Evaluations and discussions with firms, most firms are satisfied**

with IESC production and marketing assistance and believe it to be effective. Implementation of these changes would likely enhance IESC effectiveness.

d. **For what purposes has the Export Development Activities Fund (EDAF) been used? On what problems might future Fund activities focus?**

To date, the EDAF has been used for three limited purposes: a) a brief evaluation of how USAID export credit and insurance projects might link with IESC activities; b) preparation of the IESC TIS program; and c) development of a proposal to assist the Casablanca Chamber of Commerce and Industry in its export promotion and information-gathering capabilities. The EDAF Agreement has utilized only about 5% of budgeted funds ($10,718/$201,300). **IESC might consider using EDAF funds to build institutional links to support specific IESC and TIS activities in which Moroccan export potential is promising (e.g., involve a specific association, training institute, and handful of firms in a particular export sub-sector targeting a specific market in the U.S., with the intention of developing a model for future marketing successes). IESC might also consider using EDAF funds to identify and implement projects that indirectly support export production (e.g., service sector projects).** This would assist IESC in achieving the 145 completed projects targeted by the Cooperative Agreement.

e. **To what extent has the "export-related only" restriction of the Cooperative Agreement hindered IESC's effectiveness in assisting Moroccan industry in general? Given USAID Morocco's private sector strategy, should it consider funding non-export-related IESC activities? Could AID Washington IESC Core Grant fund these?**

The "export-related only" restriction has generally limited IESC's scope, and slightly hindered its effectiveness. Under the Cooperative Agreement, IESC has a) systematically omitted service sector firms that could facilitate export growth (e.g., banks, insurance, transport, accounting, consulting) and earn foreign exchange (e.g., tourism), but do not export themselves; b) generally omitted industrial firms that could have benefitted from IESC advice and saved on scarce foreign exchange, but were disqualified because they did not export; and c) periodically matched VE's with firms that were trying to export but, due to limited production capacity or marketing capabilities, were unable to fully adapt VE recommendations. (See Annex VI-12 for data on IESC's selection process).

IESC has a record of success in the service sector in other countries which helps build linkages to the export sector, provides additional publicity and contacts, and makes IESC more effective. IESC has turned down several manufacturing-related projects that might otherwise have been successful, including in areas in which exporters are weak (e.g., quality control, packaging, marketing), or in areas which would have conserved foreign exchange and increased efficiency (e.g., reducing imported energy costs). IESC has also tended to assist larger firms since firms that are small rarely export and often cannot benefit from a VE's advice and experience. **To increase impact, USAID should consider expanding its export-focused private sector strategy to include non-export-related IESC activities.** This option offers greater potential for linkage between the IESC and other private sector activities (including USAID's existing export finance and insurance areas), provides support for broader goals (e.g., increased competitiveness, greater savings and investment) that would assist export growth, and involves fewer constraints in terms of potential program impact. **IESC should consider utilizing EDAF funds for these purposes to generate a higher volume of quality projects.**

In the event that USAID chooses to fund non-export IESC activities, **Core Grant funds could only be utilized to cover certain non-U.S. operating expenses such as transport, subsistence, etc.** The Grant, providing an average $5 million per year to IESC's 35 offices (an average $143,000/office/year), is already running a deficit (nearly $500,000 in 1988). IESC has closed down five offices in the last two years as a result of the deficit. Thus, **it is unlikely that Core Grant funds could be effectively utilized to fund IESC non-export activities.**

f. To what extent has IESC had difficulty in complying with limitations of the Lautenberg and Bumpers amendments?

The IESC has not experienced difficulty in complying with the Lautenberg and Bumpers amendments. The Lautenberg amendment refers to restrictions on Economic Support Fund or Development Assistance funds that assist developing countries' export capabilities in direct competition with US textiles, apparel, footwear and other "import-sensitive" articles, including to third countries in direct competition with US exports. IESC counsel has informed the Casablanca office that IESC activities conform to requirements set by the Lautenberg amendment. As IESC has provided technical assistance, and not a) performed feasibility studies to enter into direct competition with "import-sensitive" US articles or b) established facilities for manufacture and export of these goods, it appears IESC has conformed to the terms of the Lautenberg amendment. **USAID may consider requesting clarification from IESC on each related project to ensure assistance remains in conformity.**

The Bumpers amendment applies to restrictions on Development Assistance aid to agricultural activities (e.g., research, production) that would increase host country exports of agricultural commodities in competition with comparable US exports. As the IESC program funding derives from the Economic Support Fund, the Bumpers amendment appears not to apply.

g. **To what extent have IESC's cost-sharing charges to clients, which are generally higher than those of French and other IESC-type services, been an inhibiting factor? Could IESC's services be greatly expanded if its client fees were lower? If so, would implementation be practical? Are there outside sources of financing available which could defray part of the client fees?**

According to the IESC, its fee schedule in the past has discouraged some firms from using its services, particularly smaller-scale firms. In response, IESC has developed a sliding scale of fees based on publicly stated "turnover" to accomodate smaller firms (see Annex VI-13). Small-scale firms with "chiffres d'affaires" of less than DH 500,000 per year would pay about the same (DH 18,000-20,000/month) as a French program (DH 600/day). While IESC rates have traditionally been higher than the more comparable Canadian (Quebec) program, it is possible that the Canadian program will have its subsidy reduced in light of tightened public expenditure policy in Ottawa, resulting in rates comparable to IESC.

IESC's reduction in rates for smaller-scale firms, while more affordable for those receiving services, may reduce services available as it reduces margins. IESC already believes the larger firms have little upward margin for higher fees, reducing potential for cross-subsidies from large to small enterprises. Thus, **it is not likely that IESC could expand services at lower rates without alternative sources of financing to cover the small-scale enterprise subsidy.** Nevertheless, it may be practical to lower fees to smaller firms and start-ups as their requirements are less, particularly if VE assistance costs can be spread over a larger sample (e.g., three firms for 10 days each). **Possible outside sources of financing** include: a) multilateral and bilateral donors; b) banks if they have a special fund or trust for SME's; c) transfers from other organizations (e.g., Peace Corps) that could partially defray client fees; and d) PVO's under a more liberalized GOM approach to <u>targeted</u> NGO assistance.

h. **To what extent has IESC's effectiveness been limited by its lack of official organizational status in Morocco?**

Lack of official organizational status in Morocco has meant a) lack of tax-free status, and b) lack of qualification for a "carte de séjour" for personnel staying longer than three months. This has meant a) higher overhead and operating costs (e.g., time and money costs for personnel and spouses having to leave Morocco every quarter, or roughly 64 annual person days), and b) greater administrative complications. **Lack of organizational status has not been a major factor in reducing IESC's effectiveness, although it has added costs to what is primarily a volunteer assistance organization.** It appears that providing a "carte de séjour" for more permanent personnel and spouses would reduce most of the administrative and financial cost associated with non-official status.

3. TRADE AND INVESTMENT SERVICES PROGRAM (TIS)

a. **Is IESC an effective vehicle for developing Moroccan export markets in the United States? What measurable results have been achieved by TIS up to this point, and what are areas for future activities?**

IESC can be an effective vehicle for the development of Moroccan export markets in the US. Its VE's have enormous market contacts and networking potential across sectors. The recently devised American Business Linkage Enterprise (ABLE) program can provide Moroccan exporters with thorough and precise U.S. market information they would be unable to obtain in Morocco. IESC has recently hired a TIS counterpart in the home office to assist the Casablanca-based TIS Director's efforts by organizing U.S. VE's and buyers to come to Morocco. **It is unlikely that any other organization could provide the Moroccan export community with such a broad base of U.S. contacts, information and buyers at this time.**

As for measurable results: a) **TIS has helped generate about $500,000 in export orders for Morocco since the program began in July 1989**; most orders have been for food products, and repeat orders are beginning to come in for olives; **orders involve value-added products as well as primary products, and appear to be incremental, rather than a diversion from one market to another**; b) TIS has two marketing sub-contractors working in the U.S. to arrange for purchases of Moroccan goods; and c) sector surveys have been completed in olives, artisanal products, fishing, canned fruits and vegetables, and essential oils; these surveys include VE visits to Morocco in which the specialist confirms market potential, meets the major producers and sites, and returns to the U.S. to help develop market contacts; TIS has also involved CMPE in providing product and contact information.

Future activity is likely to include: a) following up on existing trial orders to generate repeat orders in olives, tomatoes and sardines; b) promoting a wide range of artisanal products; and c) conducting sector surveys in rug-making, tourism, processed fruits and vegetables, herbs and spices, and grains, legumes and tubers. **Efforts will concentrate on generating export orders to create greater momentum by the end of calendar 1990.**

b. **Is IESC an effective vehicle for facilitating Moroccan-American joint ventures? Evaluate the effectiveness of IESC's effort up to this point, and identify areas for future activities.**

As with trade promotion (see #a above), **IESC can be an effective vehicle in facilitating U.S.-Moroccan joint ventures.** TIS is effective in promoting trade relations, which serves the purpose of familiarizing U.S. buyers, and ultimately U.S. investors, with the opportunities and constraints of the Moroccan market (see Exhibits VI-3,4). As Morocco has already established joint equity, licensing and sub-contracting arrangements with European firms, TIS can play a role in promoting U.S.-Moroccan venture stimulation. Nevertheless, this will take time, as a) the GOM continues to adjust macroeconomic policy to a more export-oriented focus, b) the various Moroccan public and private sector institutions and enterprises address legal, regulatory, production and marketing limitations, and adjust to a more competitive global environment, and c) American buyers and investors learn more about Morocco's export potential, make personal and institutional contacts, and better understand Morocco's culture.

To date, TIS has three venture stimulation activities underway in the wine, cosmetics/perfume and shoe sub-sectors. In the case of wine production, the joint venture would involve investment in the planting of new varietals on expanded acreage to meet long-term supply requirements in the U.S. A New York winery is studying the idea, and has expressed tentative interest. In the case of cosmetics/perfume and shoes, the joint ventures would involve Moroccan production and U.S. distributors. The shoe manufacturer has made contacts who are assessing the feasibility of a "boutique" distribution network.

Future activities are likely to involve pursuit of the aforementioned joint ventures, and additional joint venture activities that may come from trade activities. The hiring of at least two assistants, and resolution of ongoing office problems should provide TIS with better logistical support.

c. **Is the eventual privatization of TIS activity feasible, so that AID support in the future will not be necessary?**

The eventual privatization of TIS activity is feasible, but as with the overall export promotion challenge, this will take time. Privatization presupposes a sufficiently well-organized export community that would be willing to capitalize the entity and pay fees for ongoing services and operations. TIS will need time to build momentum, generate and publicize successes, and establish enough of a clientele so that its commercial revenue helps sustain operations. TIS will also need time to train sufficient personnel, develop a satisfactory network of ongoing Moroccan and American contacts, and find ways in which other institutions (e.g., a revamped, aggressive CMPE) can assist TIS's mission. Until TIS is able to generate a critical mass of successful transactions and ventures, it is unlikely to be self-sustaining or ready for privatization. **An alternative to long-term privatization is to use TIS successes as a model for a fully autonomous, funded and aggressive CMPE.**

4. CONCLUSIONS

a. IESC Advisor to the CMPE

The IESC advisor's contributions to CMPE were limited to short-term, transaction-oriented activities that benefited some exporters and production department personnel. Due to the budgetary, organizational and legal constraints imposed on/by the CMPE, there was little potential for institutionalized change or long-term improvements in CMPE service and efficiency as a result of the advisor's tenure. The advisor's bias towards generating export orders benefited some exporters and CMPE production departments, but neglected more traditional support activities. The advisor established a solid base of contacts in and awareness of Morocco's export sector. This has provided USAID with greater familiarity with the export community, and set the stage for a promising TIS program. Along with potential developments from TIS, the advisor's greatest contribution may have been his recommendations on revamping the CMPE to become more transaction-oriented, autonomous and self-financing. The degree to which the advisor's recommendations were practical depend on the mandate and budget CMPE ultimately receives from the Ministry of Foreign Trade.

b. IESC Technical Assistance to Moroccan Firms

The IESC has provided production and marketing assistance to a wide range of Moroccan manufacturers and agro-industrial producers. Assistance has been rated a success 68% of the time by Moroccan firms and 86% by IESC. While not necessarily having a measurable impact on exports, IESC has been effective in providing export firms with assistance that will help them overcome the longstanding structural constraints on the export sector that are beginning to diminish with liberalization. When IESC has been less than potentially effective, this has been due to the Cooperative Agreement's strict export focus, periodic mismatches of volunteers and firms, and frequent inability of volunteers to communicate in French. IESC has also had organizational problems and administrative constraints that have taken away from performance. On the whole, the IESC has been effective in providing project assistance to Moroccan exporters. However, it may be difficult for IESC to complete 145 projects as targeted in the Cooperative Agreement. IESC should consider using EDAF funds for service sector projects to help achieve this goal.

c. Trade and Investment Services Program

TIS should be effective as an instrument of trade and investment if given the time and funds. The benefit of TIS is the existing knowledge base and contacts developed since 1986 in Morocco, combined with the product knowledge and marketing network available from IESC in the U.S. Initial successes are encouraging, although dramatic successes by mid-1991 are unlikely. As with IESC's firm-specific assistance, the TIS program should show increased results as GOM liberalization proceeds, the export community gradually overcomes structural constraints, and outside buyers and investors become increasingly aware of Morocco's economic opportunities. Over time, TIS could mature into a model for GOM export promotion efforts or be a candidate for privatization.

5. RECOMMENDATIONS

a. USAID

i. **USAID should consider modifying its interpretation of "export-only" assistance to include IESC firm-specific projects that a) show reasonable potential for and commitment to export, b) supply support services that facilitate export growth (e.g., transport, packaging), c) save on foreign exchange via cost reductions of imported goods/services, and d) earn foreign exchange without exporting (e.g., tourism).** Such a change in interpretation would likely promote export development and coverage by a) increasing the universe of firms (e.g., SME's, the service sector) that might qualify as candidates for assistance, b) encouraging greater efficiency in resource allocation (e.g., planning, imported energy cost reduction, production efficiencies), and c) more fully utilizing the range of IESC VE strengths (e.g., quality control, procurement, bookkeeping and accounting, financial management). A more liberalized interpretation might encourage synergistic linkages between USAID's export production and marketing assistance and its other export promotion activities in the financial and insurance sectors, adding to the potential for positive impact in export development. A loosened interpretation would also facilitate IESC's ability to complete 145 projects by June 1991.

ii. **USAID should consider promoting institutional linkage between IESC and other organizations to broaden its range of training activities, help defray costs, and increase assistance to SME's.** Organizations like the Peace Corps could be integrated into the IESC program to provide a) longer-term presence, mobility and support, b) assistance to smaller firms on a less costly basis, and c) French/Arabic-language capabilities.

iii. **USAID might consider proposing to the GOM that it adopt a more flexible policy toward granting NGO's/PVO's official status to help support private sector and export development.** A greater presence of private sector-oriented NGO's/PVO's would facilitate institutional linkage in the delivery of technical assistance as described in #2 above.

iv. **USAID should consider working with a Moroccan training institute (e.g., ISCAE, ESIG) to design a multi-institutional, English-language business training program focusing on a) bookkeeping, accounting and financial analysis for control, budgeting and planning purposes, b) marketing for better product presentation, promotion and acceptance, including in non-traditional export markets (e.g., US), and c) production to encourage improved procurement, organization, inventory control, product quality control and output.** The program should utilize IESC VE's for three-month semester courses in which counterpart Moroccan instructors play an active role in course design and teaching. Linkage to a U.S. MBA program for back-up support (e.g., instructors, case materials) and a TIS-related project would supplement IESC efforts. Courses would be open to other Moroccan instructors, students, the business community, associations and public sector officials on a fee basis. Videotaped lectures could be distributed to other institutions as coursework and to help defray costs.

v. **If iv were established, USAID could consider assisting IESC to link up a specific TIS export promotion project with the training program mentioned in iv.** This could be done in partnership with a U.S. MBA program strong in international marketing. The Moroccan team would serve as an export company, responsible for production, quality control, transport and delivery to a US market. The U.S. team would serve as an import company, responsible for marketing, distribution and receivables collection. An arrangement would be made to focus on a particular product and market, resulting from TIS marketing activities in the US. A case study, potential institutionalization of marketing training, and a possible longer-term commercial relationship would result as tangible by-products of this training program. If CMPE were enrolled, this would also provide it with realistic hands-on experience in generating export orders.

vi. **USAID should continue to support the TIS program as a means of generating increased Moroccan exports to the U.S., and as a potential model for CMPE.** If CMPE receives a mandate from the Ministry of Foreign Trade to become a more autonomous and professionalized export promotion body, USAID assistance to CMPE (1986-1988) and TIS (1989-) may, ultimately, prove to be a major contribution to future increased Moroccan exports. The long-term CMPE advisor currently directs TIS, and his efforts have been continuous. The TIS Director frequently involves CMPE when US buyers or VE's come to Morocco. With continuity and personal relations established, CMPE may wish to work with TIS to establish a model for future operations. IESC could function as a de facto trade promotion office for Morocco until CMPE was able to justify opening its own office(s). Given the mutual lack of familiarity between US and Moroccan markets, market information and contacts developed over the last four years would be a useful start in institutionalizing a more active, competitive CMPE approach to export development.

vii. **USAID should explore the possibility of reviving assistance to CMPE if it receives the kind of autonomous, professionalized mandate it needs to be effective.** Recommendations from the IESC long-term advisor (see Annex VI-4) should be used as a basis for discussion with the Ministry of Foreign Trade and CMPE. The degree to which CMPE adopts such recommendations would permit USAID to determine how feasible continued support would be. The IESC TIS program is the most promising starting point (see #vi above), and one that could be expanded to include broader support (see #iii-v above).

b. **IESC**

i. **IESC should recruit more French-speaking VE's for Morocco, including establishing reciprocal exchange programs with non-U.S. VE programs.** IESC should also consider the following, although these criticisms from Moroccan firms and associations were far less widespread: a) when possible, present more than one resume to a project enterprise, and b) more effectively brief VE's on Moroccan history, geography, politics, economics and culture before they arrive; this could be done by hiring interns to prepare fact sheets, or by distributing Peace Corps country profiles to VE's.

ii. **IESC should work closely with USAID to determine ways in which its VE's can assist with other core USAID export promotion activities.** IESC should be able to provide technical assistance (e.g., risk management, financial analysis, computer model building) to SMAEX, the banks and other areas on which USAID's export-related strategy may focus. These might then be considered IESC projects under the Cooperative Agreement.

iii. **IESC should work with USAID to develop a monitoring and evaluation system to more effectively measure impact.** IESC should completely revise its Client Assistance Review to annually track changes in production volume, product and market diversification, exports, cost structure, employment levels, technological introductions, major capital expenditures, new training programs, banking and insurance relationships, etc. It is likely that such a system would assist IESC publicity efforts while also enhancing communication flows between IESC and USAID.

iv. **IESC should improve its communications with the National Advisory Council to promote more active involvement in project generation, publicity and TIS-related export promotion.** While some NAC members have played virtually no role in IESC activities, others have been willing to assist but have not due to poor communications. The IESC Country Director should take the lead in providing specialized NAC committees with detailed annual objectives, areas in which specific NAC members could be helpful, and more advanced notice for quarterly meetings. When certain NAC members continue to abstain from active participation, they should be replaced with private sector officials more eager to contribute to IESC success.

v. **IESC should use its quarterly meetings with USAID to satisfy reporting requirements.** A computerized checklist of USAID reporting requirements might assist the process once additional administrative assistance is hired (e.g., TIS agreements).

D. ACHIEVEMENT OF OVERALL PROJECT PURPOSE

1. Moroccan Private Sector Exports

Moroccan private sector export earnings increased from 1985 to 1988, and then leveled off in 1989 while total export earnings declined. Export earnings have increased to virtually all major markets, with EEC and Asian countries the major sources of growth. Trade coverage with the U.S. improved, but was still low at 19% in 1989. Most Moroccan exports to the US have come from the private sector.

2. Contribution of the Export Promotion Project

At this point, it is difficult to determine if the PSEPP has had a measurable impact on Moroccan exports. The data on Moroccan private sector exports to the U.S. show increased volume and earnings between 1985 and June 1989, albeit small. As for the contribution of project components: a) SMAEX export insured volume increased 9.9% in 1989, and now represents approximately 4.5% of Moroccan private sector exports; b) export pre-financing credit via BMCE and BCP has had a limited impact on Moroccan exports due to the limited size of the program; and c) the IESC program has assisted firms with improving production efficiency and marketing capabilities; recently, through TIS, IESC has also made a $500,000 incremental contribution to Moroccan exports.

3. Constraints to Private Sector Export Growth

A wide range of constraints confronts Moroccan exporters as a result of historical, cultural and policy developments. The following have been addressed in the respective component sections and annexes: a) <u>Insurance</u>: inability to obtain financing for exports; lack of market diversification, limiting familiarity with Moroccan exports; and insufficient domestic market knowledge of insurance services that are available; b) <u>Pre-finance Credit</u>: inadequate equity of exporting firms; small size of exporting firms; and the cost of funds which reduces participation in the USAID program; and c) <u>IESC:</u> limited knowledge of English, the international commercial language; limited market diversification; a tradition of protected markets and active GOM intervention in markets, although this has begun to change in recent years; lack of professionalism among Moroccan exporters; lack of awareness of "modern" business skills to improve efficiency and broaden market potential; and small production capacity, limiting opportunities for Moroccan exporters to attract and fill large orders.

4. Project Impact on Constraints

The project has had a limited impact on removing constraints on the Moroccan export sector. However, some impact has been made in insurance and with IESC technical assistance: a) Insurance: SMAEX is addressing the inability of some exporters to obtain financing; it will take time before satisfactory relations are built in unfamiliar markets, and Moroccan exporters are more fully aware of SMAEX services; b) Pre-finance Credit: the credit program has had minimal, if any, impact on equity levels or in providing SME's with the means to increase productive capacity; and c) IESC: the various firm-specific and institutional programs in which IESC has participated have helped exporters with improvements in production and marketing that will assist them during the transition from protectionism to liberalization; over time, IESC assistance should help educate and professionalize Moroccan exporters, contributing to their ability to export to the U.S. and other markets.

5. Conclusions

Given the magnitude of the constraints and the limited resources available to USAID, it would be unreasonable to expect dramatic results in Moroccan exports due to the PSEPP. It will take time for export sector constraints to diminish, and during that transition USAID-supported projects can help. The insurance and IESC components have already demonstrated some measures of success, with potential for longer-term institutionalization at SMAEX and in export promotion that could have a measurable impact on exports over time. The export pre-financing program appears to have been less successful than the other two components in impact of any duration.

IV. SUMMARY RECOMMENDATIONS

1. **Continue to support the Export Credit Insurance component.**

SMAEX has begun to generate increased export insured volume while following a conservative and prudent risk valuation approach. As it becomes better known in international markets, it should be able to prudently increase volume. The evaluation is satisfied that SMAEX is committed to professionalized, private sector management. It will take time to get all systems and procedures in place. Nevertheless, SMAEX is making progress in these areas, and progress and potential warrant continued USAID support.

2. **Commit the second tranche of the Export Pre-financing Credit component to a Loan Guarantee Fund.**

The pre-financing credit has had minimal impact on exports and associated constraints. USAID should encourage increased medium- and long-term investment in productive capacity to enable Moroccan SME exporters to compete more efficiently. A Loan Guarantee Fund would contribute to this effort and make more of an impact on Moroccan exports than the existing pre-financing credit.

3. **Continue to support the Export Production and Marketing Assistance component.**

IESC has helped a wide range of exporting firms become more competitive and efficient during this transitional stage in Moroccan economic policy. IESC's TIS project is beginning to generate orders and cash earnings for Moroccan exporters, and this should ultimately lead to additional export volume and earnings as well as interest in other ventures. Both projects have performed well, and deserve continued and extended USAID support.

4. **Promote institutional linkages that will enhance project coverage.**

USAID should investigate ways in which each PSEPP component could enhance the impact of the other two. Synergistic linkages could be established between each of the components in a manner that might lead to greater impact. These potential linkages should be explored to ascertain the <u>additional</u> impact they may have on private sector export development.

5. **Identify implementing agents for longer-term institutionalization of PSEPP assistance.**

SMAEX is already established and in the process of becoming a viable institution that will serve Moroccan private sector exporters. The Loan Guarantee Fund should address longer-term sustainability issues in its design, including which banks, associations, etc. would manage, monitor and capitalize the Fund. IESC should have an expanded role in two areas: VE's should be utilized as professors in an English-language MBA-styled program with one of Morocco's training institutes; and the TIS program should ultimately be used as a model for professionalized private sector export promotion by a private or quasi-public agency. If the Cooperative Agreement is renewed in 1991, institutionalization and long-term impact should be top priorities.

ANNEX I:

STATEMENT OF METHODOLOGY

ANNEX I: STATEMENT OF METHODOLOGY

1. EXPORT CREDIT INSURANCE
2. EXPORT PRE-FINANCING CREDIT
3. IESC

1. Export Credit Insurance

The primary vehicle for obtaining needed data and information on SMAEX was by a) reviewing USAID, SMAEX and other technical files, and b) interviewing SMAEX and other export credit insurance personnel. In addition to USAID, the evaluator interviewed the following: a) SMAEX senior and middle management; b) two Board members of SMAEX, one private sector and one GOM; c) two technical assistance contractors; d) the long-term resident consultant; e) a factoring company; and f) nine exporters. Both SMAEX and USAID provided substantial time and information to facilitate information and data gathering.

SMAEX interviews enabled the evaluator to assess operations and technical assistance, while discussions with Board members helped determine private and GOM attitudes toward SMAEX. Interviews with technical assistance contractors supplemented findings regarding SMAEX perceptions of technical assistance. A factoring company was interviewed to determine if and how it might later compete with SMAEX. Nine exporting firms were contacted to better ascertain private sector perceptions of SMAEX. The long-term consultant interviews discussed all of the above concerns.

2. Export Pre-financing Credit

The evaluator used the following to obtain required information and data for an assessment of the export pre-financing credit component of the PSEPP: a) review of USAID files and documents; b) interviews with five banks, particularly the implementing agents (BMCE and BCP via the GOM and BaM) for the USAID project component; and c) interviews with exporters. A questionnaire was used to focus on the export pre-financing component, as well as to derive additional information on the insurance and technical assistance components of the PSEPP. Points #a and #b were thorough and in-depth.

Interviews with the six exporters were structured as follows: a) two firms in the textile and fish cannery sectors that were using the program; b) two textile firms to whom the program had been offered, but rejected; and c) two textile firms that were unaware and/or not using the program. Sampling was skewed towards the textile sector because the interviews were in Casablanca and Rabat. Exporters in the agro-industrial and other non-textile sectors are more widely dispersed geographically, and were thus not as accessible. However, as the issues involved in this component were not influenced by sectoral considerations, the skewing of the sample has little bearing on the validity of the data collected.

3. **IESC**

As this part of the evaluation had three sub-components, three different methodologies were used in generating findings, as highlighted below:

a) Long-term Advisor to CMPE: This was the least emphasized of the three components because (1) the USAID-assisted program has since been discontinued, and (2) CMPE is undergoing an audit, is now reporting to the newly-created Ministry of Foreign Trade, and may experience a significant reorientation. Emphasis was placed on (1) determining the long-term advisor's impact at CMPE, both short-term and long-term, (2) asking randomly selected firms of their awareness of CMPE services, and (3) linking lessons learned from other USAID-assisted export activities to potential institutionalization via CMPE. Point #1 was achieved via interviews with the advisor and two senior CMPE officials, review of CMPE documentation, and review of the long-term advisor's January 1988 report found in IESC files. Point #2 was achieved as part of the IESC firm-specific inquiry described below (3b). Point #3 results from 3b and 3c below, as well as interviews with USAID officials and secondary documentation on other national export promotion activities.

b) Firm-Specific Technical Assistance: The following were utilized as a means of generating required information on firm-specific technical assistance: (1) interviews with three senior IESC officials and the Chairman of the National Advisory Committee, (2) review of project-specific files, completed Client Evaluation reports, and completed Client Assistance Reviews, and (3) interviews with four enterprises and one association. Point #1 is self-explanatory; IESC officials provided full cooperation and made themselves, files and administrative services fully available to the evaluator; the NAC Chairman took time from his busy schedule and answered all questions posed. Point #2 was carried out in the IESC office in Casablanca. Most important to the evaluation were the project-specific files, which included profile sheets, Client Evaluations and Client Assistance Reviews; this provided background on project development, IESC Country Director views, Client Evaluations (27 of 72 cases) and Client Assistance Reviews (8 out of 72, although of limited value). Point #3 consisted of five randomly selected project beneficiaries in Casablanca which had received assistance under the Cooperative Agreement between 1986-1988. They collectively constituted 12.5% of completed project coverage (9/72), and included (1) the textile, fishing, chemicals/plastics and trade categories, and (2) four export production projects and five export marketing projects. Interviews were skewed in favor of textiles due to the association interviewed, which has utilized IESC five times for assistance. Opinions among the project beneficiaries were varied, as were turnover, employee size, production capacity and export volume, offering a broad enough range to be considered representative.

c) Trade and Investment Services: As this is a new program, an effort was made to determine (1) the degree of continuity from the TIS Director's CMPE activities, (2) likely short-term and long-term results, and (3) potential replicability for longer-term institutionalization. Sources of information included (1) interviews with the TIS Director, (2) written summaries of TIS activities provided by IESC files, and (3) interviews with CMPE, IESC's NAC, and USAID. Given the recent start-up of the program, most information was sourced from #1 and #2.

ANNEX II:

LIST OF MEETINGS

72

ANNEX II: LIST OF MEETINGS

1. USAID
2. SMAEX
3. OTHER EXPORT INSURANCE INTERVIEWS
4. BMCE
5. BCP
6. OTHER EXPORT PRE-FINANCING CREDIT INTERVIEWS
7. CMPE
8. IESC
9. OTHER EXPORT PRODUCTION AND MARKETING ASSISTANCE INTERVIEWS

1. **USAID**

Charles Johnson
Director

Kenneth Schofield
Program Officer

John Wiebler
Deputy Program Officer

Richard Burns
Project Development Officer

Robert Dodson
Private Enterprise Officer

Michael Huffman
Project Development Officer

Belinda Barrington
Regional Legal Advisor

Thomas Kraczkiewicz
Program Economist

Abderahim Bouazza
Assistant Program Economist

2. **SMAEX**

Abdelhamid Jouahri
President Directeur General

Abdelkader Driouache
Directeur General Adjoint

Noureddine Bahir
Chef du Département Commercial

Jalal Loubaris
Informatique et Controle de Gestion

Nour-Said M'chabreg
Contentieux et Informations Commerciales

Bouchaib Kadmiri
Département Administratif

Ahmed Zouhry
Département du Credit et Assurance Foire et Prospection

Abdeltif Loudyi
Inspecteur des Finances, Ministry of Finance
SMAEX Board Member

3. **OTHER EXPORT CREDIT INSURANCE INTERVIEWS**

Francis Nyirjesy
Assistant Vice President
Equator Bank

Hubert Chenier
Long-term SMAEX Consultant
Export Development Corporation (Canada)

Jane Millar Wood
President
Devres

Ahmed Hassane
Directeur
Maroc Factoring

Rachid Marrakchi
Direction du Credit
Département des Credits d'Investissement a l'Export et des Financements Specialises
Banque Commerciale du Maroc

Mohamed Alami
Division du Marketing et des Marches de la Clientele
Banque Commerciale du Maroc

Hassan Mouhassin
Division du Marketing et des Marches de la Clientele
Banque Commerciale du Maroc

Pierre Freimann
Administrateur
Vetements Record

Amal Louraoui
Directeur Financier
Cellulose du Maroc

Jean Hegedus
Directeur General
Maroccrin S.A.

4. **BMCE**

Hassan Thyifa
Attaché de Direction, Division Credit Moyen Terme

5. **BCP**

Said Lefouili
Direction des Engagements des Entreprises, Chef de Département d'Etudes

6. **OTHER EXPORT PRE-FINANCING CREDIT INTERVIEWS**

Taleb Otmane
Sous Directeur, Direction du Commerce Extérieur
Societé Marocaine de Depot et Credit

Mohammed El Kettani
Directeur Delegue
Banque Commerciale du Maroc

Hicham Qadiri
Directeur
Banque Commerciale du Maroc

Selma Tahiri
Direction du Credit, Département des Credits d'Investissement a l'Export et des Financements Specialises
Banque Commerciale du Maroc

Ahmed Slamti
Directeur du Commerce Extérieur
Banque Marocaine pour le Commerce et l'Industrie

Brahim Oubela
Catymaille S.A.

Samy Dahan
President et Directeur General
Bel Air Textile
and
Administrateur
Labboz Cuirs

Brahim ben Slimane
President et Directeur General
Somainal, S.A.

Eliane ben Slimane
Administratrice
Somainal, S.A.

Rachid Filali
President et Directeur General
Rachitex, S.A.

Abdelhak et Abdelali Jawhari
Directeurs Generaux
Societé Nile Socorro et Zink

7. **CMPE**

Abdelhamid Boumedienne
Secretary General

Mustapha Ouali
Chef du Département Information Commercial

8. **IESC**

E. Ross Sawtell
Acting Country Director

David Sullivan
Director, Trade and Investment Services
Former Advisor to CMPE

Dallas Myers
Attaché de Direction

Said Kettani
Chairman, National Advisory Committee

9. **OTHER EXPORT PRODUCTION AND MARKETING INTERVIEWS**

El Bachir El Hadi
Directeur General
Anfatex

Mohammed Raihani
Administrateur Delegue
Global Trading Company

Karim Ayouche
Manager
Les Grandes Marques de la Conserve

Mohamed Tazi
Secretaire General Adjoint
Association Marocaine des Industries Textiles

Dakhama Afaf Benani
Directrice des Relations Publiques
Association Marocaine des Industries Textiles

Mohammed ben Moussa
Directeur General
Uniconfort

ANNEX III:

BIBLIOGRAPHY

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ANNEX III: BIBLIOGRAPHY

1. EXPORT CREDIT INSURANCE
2. EXPORT PRE-FINANCING CREDIT
3. IESC

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Sullivan, David, CMPE Advisor's Report, January 1988

Trends in Developing Economies, World Bank, 1989

ANNEX IV:

EXPORT CREDIT INSURANCE

ANNEX IV: EXPORT CREDIT INSURANCE

1. Shareholders of SMAEX
2. Members of the Board of Directors
3. Board Meetings: Private Sector Decisions
4. Commercial and Political Default Claims
5. Organizational Chart
6. Reinsurance Treaties of SMAEX
7. Promotional Brochure
8. Premium Schedule
9. Outline of Technical Assistance Achievements
10. Technical Assistance Budget Estimate
11. Commodities Purchased Under the Technical Assistance Budget
12. SMAEX Financial Statements
13. Political Risk Exposure of SMAEX
14. Insured Volume by Risk and Premiums by Risk

EXHIBIT #1

SMAEX SHAREHOLDERS

Shareholder:	DH Thousands	% of Capitalization
I. State of Morocco	DH 10,000	33.33 % (1)
II. Banks (2)		
A. Public Sectors Banks		
♦ Arab Bank	DH 150	5.0%
♦ BMCE	DH 1,690	5.63%
♦ BCP	DH 530	1.76%
Total - Pub. Sector Banks	DH 2,370	7.90%
B. Private Sector Banks		
♦ Banque Populaire Casablanca (BCP) ♦ BP Agadir, BP Fes, BP Rabat ♦ BP Oujda, BP Marrakech ♦ BP Tanger	DH 2,169	7.23%
♦ BCM	DH 2,21	7.37 %
♦ BMCI	DH 1,200	4.0 %
♦ CDM	DH 1,576	5.25 %
♦ SGMB	DH 1,229	4.1 %
♦ SMDC	DH 400	1.33 %
♦ UNIBANK	DH 260	0.87 %
♦ WAFABANK	DH 1,807	06.02 %
♦ BMAO	DH 178	.59 %
Total - Pvt. Sector Banks	DH 11,030	36.76 %
III. Insurance Companies		
A. Public Sector Insurance Cos		
♦ S.C.R.	DH 2,000	6.66 %
♦ C.N.I.A.	DH 500	1.67 %
Total-Public Sector Insurances Cos	DH 2,500	0.083 %

Shareholder	DH thousands	% of Capitalization
B. Private sector insurance Cos		
♦ Al Wataniya	DH 1,300	4.33 %
♦ Amane Entente	DH 1,000	3.33 %
♦ Cie Africaine	DH 500	1.67 %
♦ RMA	DH 300	1.0 %
♦ SANAD	DH 250	0.83 %
♦ Garantie Générale	DH 250	0.83 %
♦ M.A.T.O.	DH 250	0.83 %
♦ ESSAADA	DH 250	0.83 %
Total-Private Sector Insurance Cos	DH 4,100	13.6 %

In Summary

I. GOM	DH 10,000	33.33 %
II. A. Public Sector Banks	DH 2,370	7.90 %
III. A. Public Sector Insurance Cos	DH 2,500	8.33 %
Total Public Sector Entities & GOM	DH 14,870	49.56 %
II. B. Private Sector Banks	DH 11,030	36.76 %
III. B. Private Sector Insurance Cos	DH 4,100	13.67 %
Total Private Sector Entities	DH 15,130	50.43 %

(1) Percentage figures are rounded off for each shareholder to the nearest hundred.

(2) Banks and insurance companies with a majority of shares held by the State are considered public entities.

EXHIBIT #2

MEMBERS OF THE BOARD OF DIRECTORS OF SMAEX

- M. Abdelhamid Jouahri	President, SMAEX
- M. Mohamed Fassi Fehri	B.M.C.E.
- M. Rachid Marrakchi	B.C.M.
- M. Mustapha Rar	B.C.P
- M. Abdellatif Benjelloun	Wafabank
- M. Mohamed Saadi	S.C.R.
- M. Abdeljelil Chraibi	Al Watania
- Melle. Zoulikha Nasri	Ministry of Finance
- M. Abdellatif Loudyi	Ministry of Finance
- (M. Abdellkader Driouache voice)	Secretary, Consultative

97

EXHIBIT #3

BOARD OF DIRECTOR'S MEETINGS: PRIVATE SECTOR DECISIONS

There have been six Board of Director meetings since SMAEX's inception. SMAEX authorized the team to read the minutes of these meetings in their offices. For reasons of confidentiality, copies of the Minutes cannot be included in this evaluation.

Minutes in Morocco do not give detailed reports of discussions within Board meetings. They simply recapitulate decisions that are made and summarize any presentations made. From these minutes a few points can be brought out which show SMAEX managing the company as a private sector organization:

July 7, 1988 meeting

The President was nominated by the Board of Directors.

October 20, 1988

The operational guidelines (Statement of General Policies) of SMAEX were established by the Board of Directors. They mention, among other things, that SMAEX's objective is long-term profitability and that premium rates should eventually cover operating costs and payment of claims, and generate profits.

Board members unanimously agreed that timely claim payments are a fundamental credibility element for the company. Should SMAEX need to obtain a loan to pay claims, related financial charges should be at the expense of the State.

March 13, 1989

The Board of Directors authorized the President to conclude a reinsurance treaty with a public shareholder of SMAEX (SCR).

June 8, 1989 and Dec. 7, 1989

Nil

March 22, 1989

Minutes of this meeting had not yet been established. The President of SMAEX indicated that the company's Board of Directors had made a decision to reinvest the profits of SMAEX into the organization. No dividend will be paid. The General Assembly of July 1990 must ratify this decision.

EXHIBIT #4

COMMERCIAL AND POLITICAL DEFAULT CLAIMS

Commercial Default Claims:

The exporter has up to one month after the occurrence of a default to submit a claim and a notice of default to SMAEX. Commercial default claims are payable a minimum of six months after the date of receipt by SMAEX of the declaration of default by the exporter (Article 13 and 17 of the Insurance Policy). There is no maximum payment delay period at the present time.

Country	Amount (100 %)	Default Declared	Payment made by SMAEX
1. France	DH 1.5 million	May 22, 1989	Nov. 21, 1989
2. France	DH 1.4 million	June 6, 1989	Dec. 5, 1989
3. France	DH 250 million	June 5, 1989	Dec. 5, 1989

These amounts were paid to the exporter exactly six months after the claim requests of the exporters. SMAEX has obtained reinsurance (see Annex IV-5) and paid only DH 833,000 of these claims out of its own pockets.

Political Default Claims:

The exporter has up to two months after the occurrence of a default to submit a notice of default to SMAEX. The exporter then has another six months in which to make claim. Political default claims are payable a minimum of six months after the date of receipt by SMAEX of the request for claim payment of the exporter (Article 21 of the Insurance Policy).

For the following six Iraqi and one Algerian defaults, claim payment was made by the buyers before the exporter became eligible for claim payment by SMAEX:

Country	Amount	Default declared by exporters
1. Iraq	DH 13.6 million (6 claims)	March 14, 1989 to October 24, 1989
2. Algeria	DH 0.16 million	October 13, 1989

The following claim payments will fall due in the next few months:

Country	Amount	Claims Submitted	Claim pymnt due
1. Iraq	DH 2.147 Million	Nov. 6, 1989 Default declared, no claim submission	Commission postponed decision on April 4, 1990 pending receipt of claim request.
2. Iraq	DH 10.783 Million	Dec. 27, 1989	June 28, 1990
3. Iraq	DH 0.625 Million	Dec. 25, 1989	June 25, 1990
4. Iraq	DH 0.045 Million	Feb. 6, 1990	August 6, 1990
5. Iraq	DH 2.325 Million	March 16, 1990	Sept. 16, 1990
6. Iraq	DH 0.035 Million	Feb. 6, 1990	August 6, 1990
7. Iraq	DH 0.456 Million	Feb. 6, 1990	August 6, 1990
8. Iraq	DH 0.050 Million	Feb. 6, 1990	August 6, 1990
9. Iraq	DH 1.440 Million	March 16, 1990	Sept. 16, 1990
10. Iraq	DH 1.440 Million	March 16, 1990	Sept. 6, 1990
11. Iraq	DH 1.542 Million	March 6, 1990	Sept. 6, 1990
12. Iraq	DH 0.212 Million	March 29, 1990	Sept. 29, 1990
13. Iraq	DH 0.350 Million	March 29, 1990	Sept. 29, 1990
Total	DH 21.452 Million		

SMAEX is confident that these claim payments amounts will be recovered if they are paid. They consider, and experience has shown, these defaults as slow payments and not non-payments.

Country payment due	Amount	Claim Submitted	Claim
1. Algeria	DH 0.25 million	Oct. 13, 1989	April 13, 1990

EXHIBIT #5

ORGANIZATION CHART

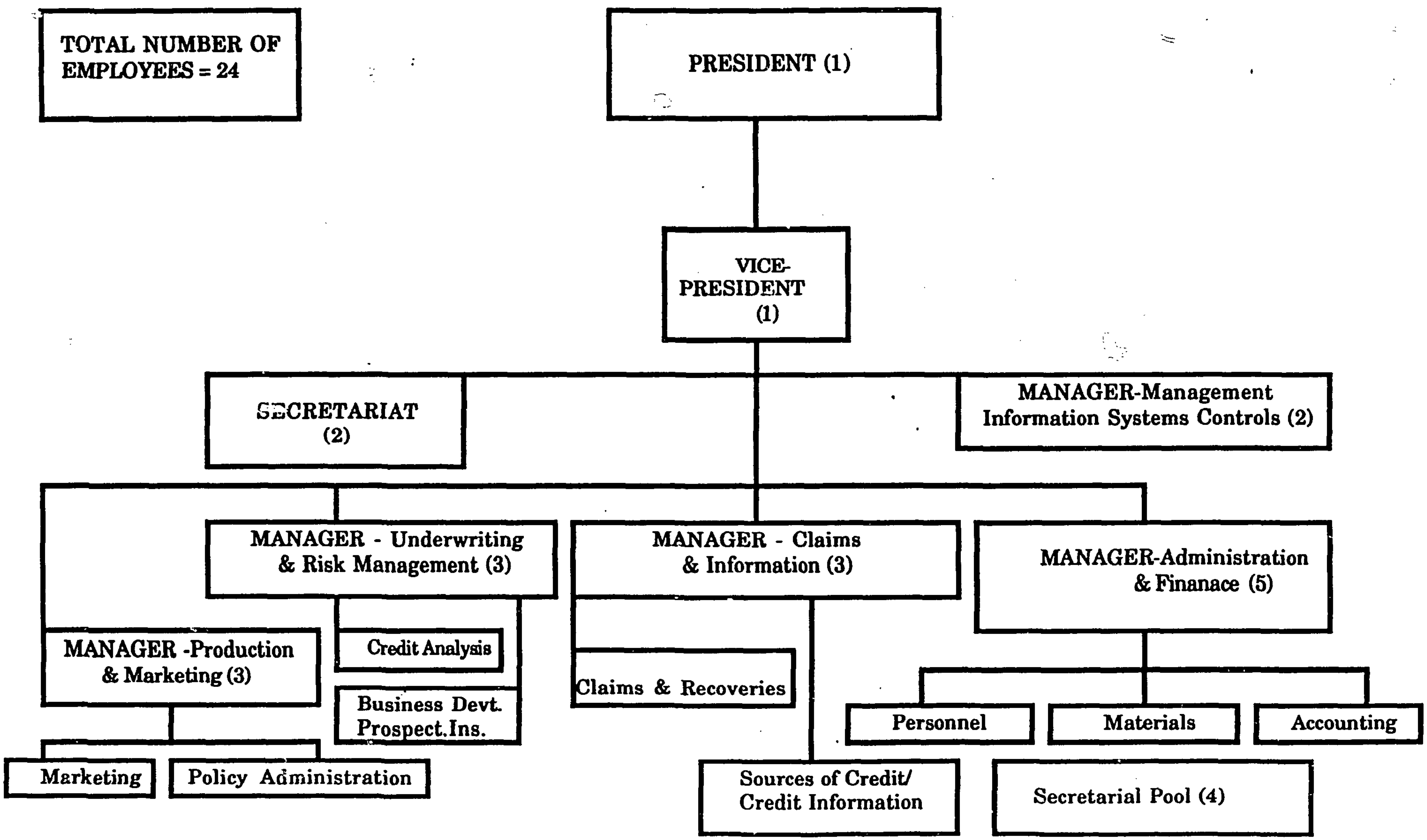

EXHIBIT #6

REINSURANCE TREATIES OF SMAEX FOR COMMERCIAL RISKS

1. - 25 % reinsured with Société Centrale du Maroc de Réassurance (SCR).

2. - 50% reinsured with NamurRé.

3. -Excess-loss (XL) reinsurance for any loss to SMAEX in excess of DH 1.5 million. Therefore, for any loss above DH 6 Million, XL reinsurance will come into play.

DH 1.5 Million:	25 % SCR
DH 3.0 Million:	50 % Namur
DH 1.5 Million:	25 % SMAEX
DH 6.0 Million:	Total loss

4. Maximum buyer approval DH 30 million.

5. Namur's approval is required for any buyer approval over DH 10 million.

6. Premiums Paid to reinsurers by SMAEX: 25 %: SCR
   50 %: NamurRé
   Less 35 % for administration costs.

7. XL minimum yearly premium deposit DH 150,000
   Premium not available.

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EXHIBIT # 7

الشركة المغربية لتأمين الصادرات

SOCIETE
MAROCAINE
D'ASSURANCE
A L'EXPORTATION

S M A E X

...1 - 43 Boulevard d'anfa
Casablanca (01)
B.P. : 15953

Téléphone : 29 48 11 à 15
Télex : 45 951 • 45 952
Téléfax : 29 48 16

exportateurs !

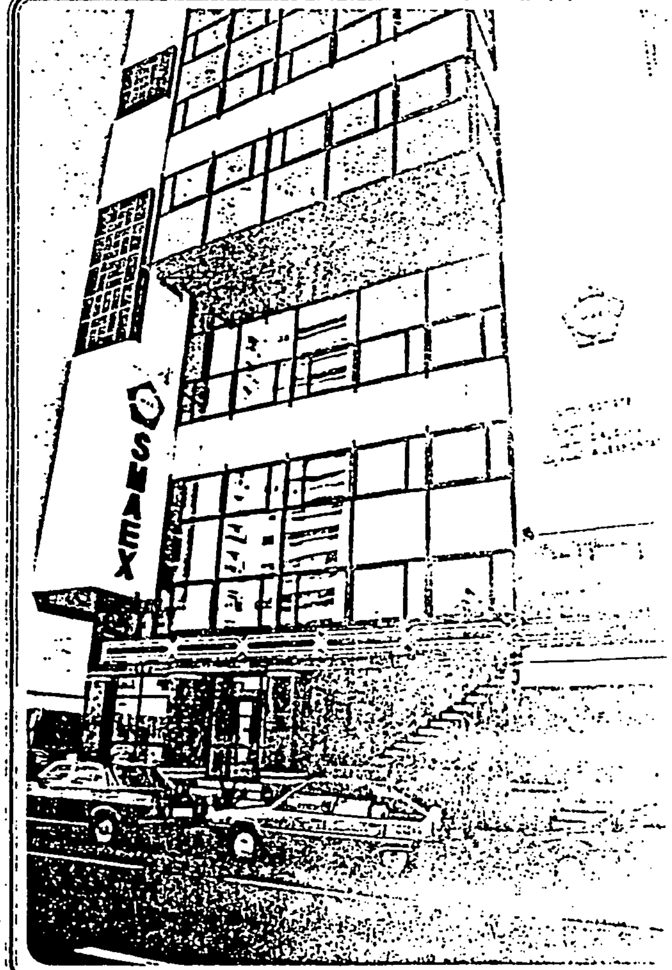
LA BANQUE
finance

SMAEX

SMAEX
assure

الشركة المغربية لتأمين الصادرات

SOCIETE MAROCAINE D'ASSURANCE A L'EXPORTATION



Prospection de Nouveaux Marchés à l'Etranger

…r développer vos ventes à l'étranger, il faut mener une campagne …prospection élaborée. Mais cela entraîne souvent de lourdes dépen… …dont l'amortissement est aléatoire.

S M A E X vous propose une formule d'assurance vous garantissant …succès de votre campagne. Pour ce faire ,

…scrivez à

une Assurance Prospection

…couvre un programme de prospection étalé sur plusieurs années

Le budget englobe tous les frais relatifs à votre action de …ection

… vous permet de recevoir juste après la campagne une …emnité provisionnelle de 50 % du budget garanti

Cette indemnité est remboursable si vous réalisez un chiffre d'affaires …sant pendant la durée du contrat.

Participation aux Foires à l'Etranger

La participation aux foires internationales vous permet de rencontrer des acheteurs et de vous situer par rapport à la concurrence

Cependant, l'amortissement de vos dépenses reste incertain
Pour éviter ceci ,

souscrivez à

une Assurance Foire

Elle couvre une partie de ce risque et vous assure un soutien de trésorerie car vous recevrez une indemnité provisionnelle juste après la clôture de la manifestation

- Le budget englobe tous les frais pouvant résulter de votre participation à cette exposition

- L'indemnité provisionnelle est de 50 % du budget garanti remboursable si vous réalisez un chiffre d'affaires suffisant pendant la durée du contrat

Vente à Crédit à l'Etranger

Le développement de vos exportations passe par l'octroi à vos acheteurs de facilités de paiement plus avantageuses que celles accordées par vos concurrents. Ceci exige

- d'écarter les mauvais payeurs ,
- d'être couvert en cas d'impayé ,
- d'être sûr du financement bancaire. Pour tout cela

souscrivez à

une Assurance Crédit

Elle vous garantit contre le risque de non paiement de vos créances lorsque celui-ci résulte :

- du défaut de paiement de votre débiteur
- de la survenance d'événements politiques catastrophiques ou d'une décision administrative édictée par les autorités du pays du débiteur empêchant ou retardant le transfert des fonds

La quotité garantie peut atteindre 90 %
Les créances garanties par la **S M A E X** sont mobilisables auprès de votre banque
Ainsi, l'assurance - crédit vous libère de la crainte de l'impayé et favorise le FINANCEMENT bancaire

EXHIBIT # 8

Structure des Primes D'Assurance-Credit
de la SMAEX

TAUX DE PRIME EN %

ACHETEUR PRIVE	GLOBAL	PARTIEL	CAS PAR CAS
- Risque Commercial Seul			
. Comptant C/document	0,25	0,375	0,5
. Jusqu'à 180 jours	0,75	1,125	1,5
. Renouvellement par mois	0,125	0,187	0,25
- Risque Politique Seul			
. Comptant C/document	0,45	0,45	0,45
. Jusqu'à 180 jours	0,9	0,9	0,9
. Renouvellement par mois	0,075	0,075	0,075
- Risque Comm. et Politique			
. Comptant C/document	0,55	0,675	0,8
. Jusqu'à 180 jours	1,35	1,725	2,1
. Renouvellement par mois	0,175	0,237	0,3

ACHETEUR PUBLIC	Global	Global par pays	-----
Risque Politique			
. Comptant C/document	0,6	0,9	-
. Jusqu'à 180 jours	1,2	1,8	-
. Renouvellement par mois	0,1	0,15	-

**Exporter can choose COUNTRIES
he wishes to insure

N.B : Le risque politique englobe les risques catastrophique
et de non-transfert

95

EXHIBIT #9

TECHNICAL ASSISTANCE ACHIEVEMENTS

Phase I - To facilitate creation of SMAEX. (Some projects continued after the creation of SMAEX).

	Description:	Date
1.	Computerization on File-Pro Software	June 87 - March 1988
2.	Evaluation of existing portfolio	June 87 - Oct. 1987
3.	Review of active claim files	June 87 - Nov. 1987
4.	Research analysis of market	June 87 - July 1987
5.	Initial marketing strategies	Dec. 87 - Dec. 1988
6.	Draft statement of general policies	Oct. 87 - Dec. 1987
7.	Draft of Procedures Manual	Oct. 87 - Dec. 1987
8.	Draft endorsements to existing policies	April 88 - June 1988
9.	Draft new clauses	April 88 - June 1988
10	Design of organizational structure	Aug. 88 - June 1989
11	Design of MIS system	Aug 1987
12.	Advice on financial and legal issues	July 87 - July 1989

Phase II - Most projects are still underway; anticipated completion dates are given.

	Description	Date
1.	Establish Portfolio Management system	April 89 - May 1990
2.	Establish new accounting procedures	Jan. 90 - Feb. 1990
3.	Improve credit approval and credit information system	Oct. 89 - May 1990
4.	Revise procedures manual Oct. 89	
5.	Personnel management and training	Jan. 90 - June 1990
6.	Improve product line	June 88 - July 1990
7.	Reinsurance for commercial and political risks	March 89 - June 1990
8.	Marketing plans and tools	Dec. 89 - June 1990
9.	Develop marketing strategy aimed at banks	Dec. 88 - Dec. 1989
10.	Base-line data report	March 90 - May 1990

Gb

EXHIBIT #10

Technical Assistance Budget Estimate (EASL/Devres)

Initial Budget amount $1,306,000

- EASL: Long term consultant and administration	$673,000
- Devres (subcontractor):	$633,000
- Total	$1,306,000

Expenditures + Accruals

- EASL ($573,000)

- Devres ($310,000)

- Total	$ 883,000
Available Funds as of April 1990	$ 423,000

a

EXHIBIT #11

COMMODITIES PURCHASED UNDER THE T.A. BUDGET

PRODUCT	BUDGET	SPENT	REMAINING
- Computer Hardware and Software	$50,000	$39,000	$11,000
- Vehicle	$14,000	$13,500	$ 500
- Marketing Material	$10,000	$10,000	$ 0
- Furniture long-term consultant	$18,000	$13,500	$ 4,500
- Office Supplies	$10,500	$10,000	$ 500
	$102,500	$86,000	$16,500

These figures are included in the estimated Technical Assistance budget (see Annex IV-10).

SMAEX Financial Statements

EXHIBIT #12

S M A EX

BILAN AU 31 DECEMBRE 1989

A C T I F

INTITULES	MONTANT BRUT	AMORTIS. & PROVIS.	MONTANT NET	TOTAUX PARTIELS
FRAIS D'ETABLISSEMENT				
Frais de Constitution	880.643,96	880.643,96		
VALEURS IMMOBILISEES				
Agenc. Amenag. Instal	1.276.107,44	24.159,27	1.251.948,17	2.062.642,42
Mobilier & Matériel de Bureau	669.959,78	6.333,23	663.626,55	
Matériel de Transport	227.250,00	80.182,30	147.067,70	
AUTRES VALEURS IMMOBILISEES				52.898,37
Dépôts & Cautionnement	52.898,37		52.898,37	
PART DES REASSUREURS DANS LES RESERVES TECHNIQUES				2.464.309,08
Sur Primes	1.320.349,08		1.320.349,08	
Sur Sinistres	1.143.960,00		1.143.960,00	
VALEURS REALISABLES & DISPONIBLES				195.975.880,00
Valeurs de placement	195.975.880,00		195.975.880,00	
AUTRES VALEURS REAL. & DISPONIBLES				15.270.966,96
C/C desRéassureurs(débit)	76.836,35		76.836,35	
Clients	2.176.023,30		2.176.023,30	
Débiteurs Divers	1.724.485,85		1.724.485,85	
Charges Payées d'Avance	4.744,79		4.744,79	
Produits à Recevoir	6.270.964,05		6.270.964,05	
C.D.G	2.343.336,28		2.343.336,28	
B.M.C.E.	2.453.763,21		2.453.763,21	
WAFA BANK	67.232,26		67.232,26	
B.M.C.I	10.384,54		10.384,54	
B.M.A.O	142.326,18		142.326,18	
Caisse	870,15		870,15	
	216.818.015,59	991.318,76	215.826696,83	215.826696,83

P A S S I F

INTITULES	MONTANT	TOTAUX PARTIELS
CAPITAUX PROPRES		
Capital Social	30.000.000,00	
Réserve légale	6.386,00	
Réserve Générale	120.000,00	
Report à Nouveau	1.344,74	
Situation Nette	30.127.730,74	30.127.730,74
DETTES A LONG TERME		161.840.631,28
Fonds Spécial de Réserve	69.480.064,00	
Fonds Public de Réserve	90.622.029,10	
Dépôt de Garantie	1.738.538,18	
RESERVES TECHNIQUES		3.285.745,44
Sur Primes	1.760.465,44	
Sur Sinistres	1.525.280,00	
DETTES A COURT TERME		16.234.027,90
C/C des Réassureurs (créditeurs)	749.030,77	
Fournisseurs Ordinaires	1.013.112,80	
Créditeurs Divers	13.625.873,69	
Charges à Payer	653.288,64	
Produits Comptabilisés d'Avance	192.722,00	
RESULTATS		4.338.561,47
Bénéfice Exercice 1989	4.338.561,47	
	215.826.696,83	215.826.696,83

S M A EX

COMPTE D'EXPLOITATION GENERALE
AU 31.12.89

D E B I T	BRUT	CESSION	NET
CHARGES DE SINISTRES			
Prestations Payées	3.332.290,87	2.499.218,15	833.072,72
Réserves de Sinistres	1.525.280,00	1.143.960,00	381.320,00
Prestations et Frais de l'Exercice	4.857.570,87	3.643.178,15	1.214.392,72
CHARGES DE COMMISSION			
Commissions Payées	300.000,00	150.000,00	150.000,00
AUTRES CHARGES			
Frais de Personnel	1.300.775,99		
Impôts & Taxes	169.080,21		
Travaux Fournit. Sces Ext.	2.431.802,69		
Transport & Déplacements	250.161,08		
Frais divers de gestion	603.080,65		
Dotations aux Amortissements	87.141,00		
Autres Charges de l'Exercice	4.842.041,62		4.842.041,62
CHARGES DE PLACEMENT			
Frais Financiers	7.728.746,87		7.728.746,87
BENEFICE D'EXPLOITATION			
Solde créditeur			6.898.527,36
TOTAL			20.833.708,57

C R E D I T	BRUT	CESSION	NET
PRIMES			
Primes sur Crédit Commerc.	4.890.181,77	3.667636,33	1222545,44
A Déduire : Réserves sur Primes	1.760.465,44	1.320.349,08	440116,36
Primes de l'Exercice	3.129.716,33	2.347287,25	782429,08
AUTRES PRIMES			
Commissions de Réassurance	1.283.672,72		
Primes P.C.T	1.774.045,57		
Primes Foires & Prospection	12.752,76		
Primes Diverses	907.519,92		
Autres Primes de l'exercice	3.977.990,97		3977990,97
PRODUITS DE PLACEMENT			
Intérêts sur Prêts et Placements	15.847.912,50		
Intérêts sur c/c Bancaires	225.051,02		
Revenus des Titres	325,00		
Produits de Placement de l'Exercice	16.073.288,52		16073288,52
			20833708,57

SMAEX S.A

COMPTE GENERAL DE PERTES & PROFITS AU 31.12.89

DEBIT	MONTANT	CREDIT	MONTANT
- Pertes Exceptionnelles	42,76	- Profits d'Exploitation de l'Exercice	6.898.527,36
- Impôt sur les Sociétés	3.100.580,00	- Profits sur Exercices Antérieurs	36.081,80
- P.S.N à Payer	310.058,00	- Profits Exceptionnels	814.633,07
- Bénéfice net Exercice 89	4.338.561,47		
	7.749.242,23		7.749.242,23

EXHIBIT # 13

SMAEX POLITICAL RISK EXPOSURE

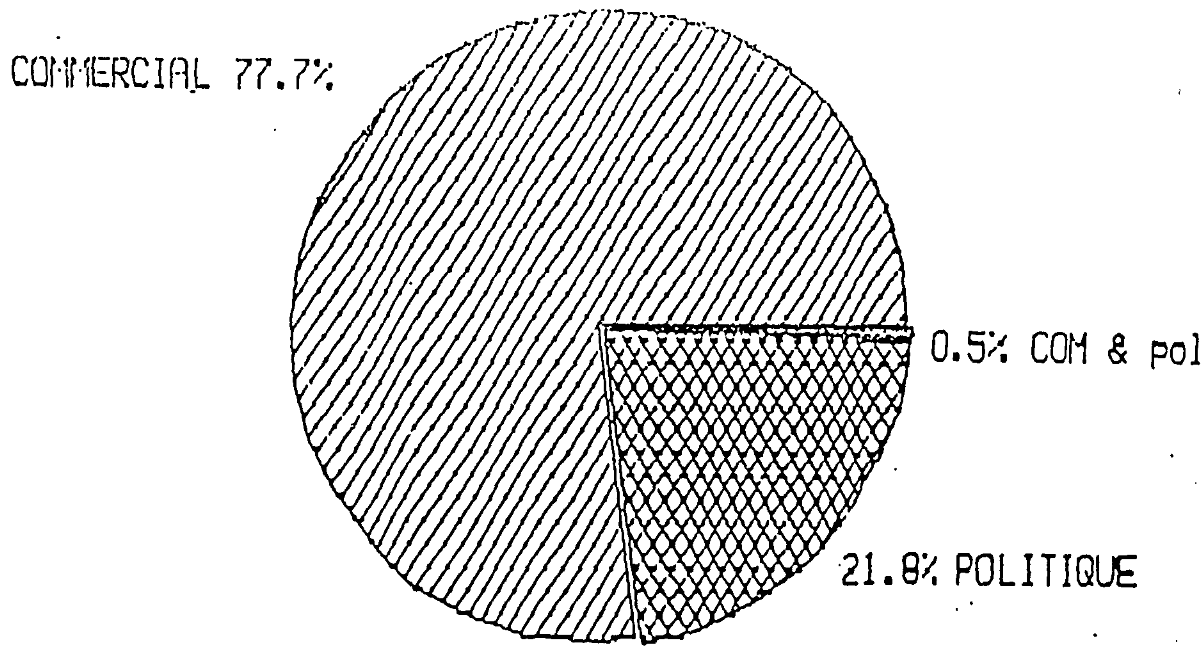
COUNTRY	EXPOSURE (in millions)	As of (date)
Iraq	DH 123	03/28/90
Libya	DH 80	09/21/89
Algeria	DH 40	03/28/90
Total	DH 243	

More recent figures were not available for Libya. Figures for other countries were in the process of being calculated and were not available.

102

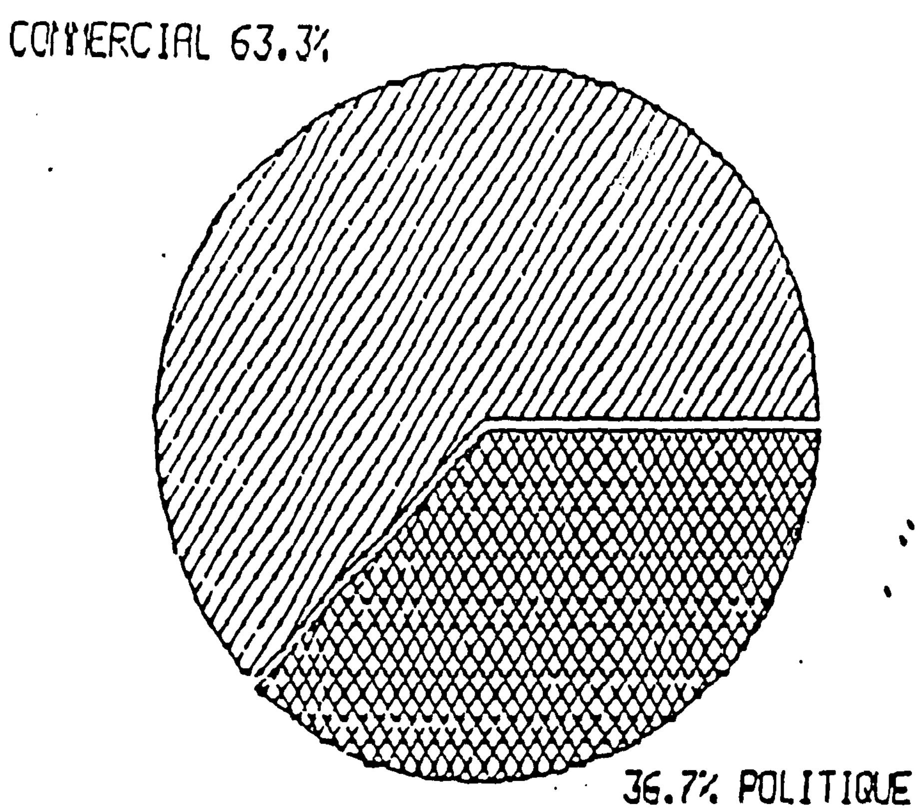
EXHIBIT # 14

REPARTITION DES CAPITAUX ASSURES



1989

REPARTITION DES PRIMES FACTUREES



ANNEX V:

EXPORT PRE-FINANCING

ANNEX V: EXPORT PRE-FINANCING CREDIT

1. BMCE CREDIT DISTRIBUTION TABLE

105

IRECTION DU DEVELOPPEMENT

EPARTEMENT CREDIT ET TRESORERIE

in (Dh.MM)
in (Dh.Millions)

PART DE MARCHE - CREDIT DISTRIBUES

B.M.C.E. - SYSTEME BANCAIRE - DECEMBRE 1988 - DECEMBRE 1989

	DECEMBRE 1988			DECEMBRE 1989		
	SYS.BANC.	B.M.C.E.	PART DE M.	SYST. BANC.	B.M.C.E.	PART DE
A - COURT TERME	26.858	4.517	16.82 %	29.125	5.344	16.34 %
. CREANCES NEES	3.114	639	20.52 %	3.756	798	21.07 %
. PREFINANCEMENT	1.635	306	18.72 %	2.049	396	19.32 %
. AUTRES CREDITS	22.109	3.572	16.16 %	23.290	4.150	17.81 %
B - MOYEN TERME	3.702	411	11.10 %	5.065	612	12.08 %
. C.M.T.R.	1.620	230	14.20 %	2.650	380	14.33 %
. C.M.T.N.R.	2.082	181	8.69 %	2.415	232	9 60 %
C - LONG TERME	1.466	138	9.41 %	1.750	154	8.80 %
TOTAL GENERAL	32.026	5.066	15.82%	35.940	6.110	17.00 %
CREDITS ENCADRES	25.657	3.866	15.07 %	27.024	4.382	16.21 %
CREDITS NON ENCADRES	6.369	1.200	18.84 %	8.916	1.728	19.38 %
TOTAL GENERAL	32.026	5.066	15.82 %	35.940	6.110	17.00 %

106

ANNEX VI:

EXPORT PRODUCTION AND MARKETING ASSISTANCE

-101-

ANNEX VI: INTERNATIONAL EXECUTIVE SERVICE CORPORATION

1. CONSTRAINTS ON CMPE ACTIVITIES
2. CONSTRAINTS TO EXPORT DEVELOPMENT
3. OPPORTUNITIES FOR MOROCCAN EXPORTS
4. SUMMARY OF CMPE ADVISOR'S ACTION PLAN RECOMMENDATIONS
5. IESC EXPORT PRODUCTION PROJECTS: SECTOR AND SCALE SIZE
6. IESC EXPORT PRODUCTION PROJECTS: SECTOR AND TURNOVER
7. CLIENT EVALUATIONS OF IESC PERFORMANCE BY SECTOR
8. IESC EVALUATIONS OF IESC PERFORMANCE BY SECTOR
9. COMPARATIVE CLIENT/IESC EVALUATIONS OF IESC PERFORMANCE BY SECTOR
10. MOROCCAN EXPORTS BY MARKET: 1985-JUNE 1989
11. NATIONAL ADVISORY COUNCIL OF IESC/MOROCCO
12. IESC PROJECT SELECTION PROCESS AND DATA
13. IESC PRICING POLICY FOR SERVICES

EXHIBIT 1: **CONSTRAINTS ON CMPE ACTIVITIES**

There are a number of problems affecting the CMPE, largely due to its lack of mandate, civil service orientation, lack of contacts in international markets, and small budget. The following are some of the key constraints that made the IESC advisor's task of institutionalizing changes virtually impossible:

1) Orientation: the CMPE is organized as a public sector institution without incentives geared to export results; low pay and benefits attract students, others without private sector experience; lack of compensation compromises energy devoted toward export promotion; lack of compensation and status also provides an incentive for personnel turnover, undermining the continuity required for personal contacts with markets (although many senior CMPE officials, including its current Director, have stayed on); **lack of institutional initiative prompted the Peace Corps to discontinue its English-language training program initiated by the IESC advisor**

2) Resources: the budget for CMPE has not been satisfactory to perform the services needed to efficiently promote Moroccan exports; along with personnel training, development of appropriate advertising materials and experience in advanced promotional techniques, budgeted resources have not been sufficient to mount ongoing marketing campaigns or open representative offices in affluent countries where Moroccan exports could sell; **the IESC advisor did not have an assistant to train for continuity after his departure due to budget constraints**

3) Autonomy: CMPE has not been run in a free and dynamic manner; various Ministries have forced it to answer for petty expenditures, requiring substantial time allotments that could have been more efficiently utilized; other Ministries have instructed it to play quasi-diplomatic roles when a more concentrated effort on export results would have been more useful to the nation; embassies abroad have not provided sufficient information on products, markets, contacts, etc., to facilitate export activities; communication with embassies located in Rabat has been limited in effectiveness due to domestic Ministerial protocol or foreign embassies' lack of commercial information; a general lack of certainty and mandate has lowered CMPE ambitions and reduced its scope, leaving it with little more than an intermediary communications role; **lack of autonomy limited its marketing scope and objectives, completely the opposite of the advisor's focus and orientation**

4) <u>Experience</u>: lack of private sector experience, or inactivity since CMPE's creation in 1980, has weakened its marketing capabilities; CMPE officials have few contacts at the international business level; **lack of experience with the international business community translated into limited leverage with contacts arranged by the IESC advisor, reducing the opportunity for follow-up contacts; constraints #1-3 virtually guaranteed lack of follow-up**

5) <u>Specialization</u>: the advisor's focus was on the U.S. market; CMPE organized itself into product departments rather than markets; personnel turnover, lack of specialization in targeted markets, and general unfamiliarity with U.S. markets and language meant the advisor was starting with a new market and mentality; **despite all efforts by staff to learn English and familiarize themselves with the North American market, no CMPE personnel were available for the effort to be sustainable**

6) <u>Tradition</u>: #1-5 reflect the tradition of protected markets, interventionist economic policies of the State, and a lack of global competitiveness; most sectors and institutions have accommodated this outlook since colonial days; while the public sector attempts to become more efficient, it also has to deal with a private sector accustomed to subsidized public services for which it may be unwilling to pay; rationalization of costs and benefits, organizational synergies, sub-contracting of local products and services, and a willingness to group production and distribution for economies of scale is still not a reality; **the advisor was unable to change the concept of marketing as long as exporters were still accustomed to a subsidized mentality**

EXHIBIT 2: **CONSTRAINTS TO EXPORT DEVELOPMENT**

Morocco is a nation with a vast supply of exportable goods. Its inability to convert this supply into transactions that generate hard currency is due to a number of factors, most of which will take time to resolve. Major constraints are highlighted below.

1) Language: most Moroccans do not speak the international commercial language, English; language is a particular weakness among older, traditional exporters, although Morocco's younger generation of entrepreneurs appears to recognize that French has limited application in dealings with most Asians, Europeans and North Americans; business management courses at Moroccan training institutes are not offered in English, perpetuating this weakness

2) Colonialism: after nearly 34 years of independence, Morocco is still somewhat of a commercial colony of its primary and secondary colonial powers. Exports to France and Spain in current dirhams were 38.5% of total exports in the first half of 1989; imports from those two countries were 34% of total imports during the same period; coverage for Morocco in dirham terms was 64%, representing a significant trade deficit. Morocco's leading exports to France and Spain are textiles, phosphates and food products, while Morocco's imports are higher-value capital goods and chemical products that cost more in foreign exchange. In some cases, Moroccan exports to Mediterranean countries such as France, Spain, Portugal and Italy supply the raw materials that ultimately find themselves in affluent Western and Asian markets as European rather than Moroccan exports

3) GOM Economic Control and Import Substitution: until the 1980's, the GOM assumed an interventionist and protectionist role in the economy; parastatal enterprises commanded a major share of formal economic production and distribution while protected markets generally weakened Moroccan production and marketing capabilities relative to the outside world; more than three decades of import substitution policies have made the transition difficult from an insulated market approach to one emphasizing exports and global competitiveness

4) Professionalism: Moroccan exporters are sometimes unaware of the importance of timely communications and delivery; potential orders sent by telex that require an immediate response and detailed pricing information are not responded to promptly, leading to the placing of orders in other markets; price information is not always accurate, making Moroccan prices too high to win bids; product catalogues are virtually non-existent, rarely in English, and usually mistake-prone, raising doubts among potential buyers of product quality, delivery time, packaging and service

capabilities; shipments are not always shipped as promptly as they should, damaging the buyer's position in the market and reducing the potential for repeat orders

5) <u>Education/Awareness</u>: General absence of advanced business management and international marketing courses in Morocco until recently; existing courses not in English; Moroccan producers not familiar with foreign markets, unaware of nuances related to pricing, packaging, negotiation; exporters sometimes impatient, unfamiliar with market development approach, feel rejected when transaction does not materialize; use of bookkeeping, accounting, financial analysis limited, hindering budgeting, strategic development

6) <u>Capacity</u>: Moroccan enterprises are usually too small to fill large export orders; small size also reduces potential cost savings from economies of scale; Moroccan businessmen do not group together on production or marketing ventures; mergers and acquisitions virtually non-existent

EXHIBIT 3: OPPORTUNITIES FOR MOROCCAN EXPORTS

The CMPE advisor pointed to a number of sectors and products with export potential to the U.S. market. The advisor felt confident about #1-12, and believed #13-20 were worthy of further investigation.

1. Cork
2. Leather Products
3. Marble
4. Sardines and Mackerel
5. Olives and Olive Oil
6. Tomato Products
7. Pimentos
8. Wine
9. Cut Fresh Flowers
10. Handmade Rugs
11. Artisanal Products
12. Automobile Parts
13. Pickles
14. Frozen Fish
15. Ceramic Tiles and Porcelain
16. Herbs, Spices and Flavors
17. Fabrics for Upholstery, Drapes
18. Hand Embroidered Knit and Woven Garments
19. Bicycle Parts
20. Clementines

EXHIBIT 4: **SUMMARY OF CMPE ADVISOR'S ACTION PLAN RECOMMENDATIONS**

The following briefly highlight the advisor's recommendations for a restructured and refocused CMPE. Further information can be found in the CMPE Advisor Report (January 1988), or by contacting the TIS Program of IESC in Casablanca.

1. Become a Commercial Organization: actively seek buyers for Moroccan products; target buyers and markets, visit those markets, and lay the groundwork for Moroccan exporters to take over these activities for their own accounts; establish and fully utilize overseas offices in targeted markets; develop and utilize competent trading companies for smaller producers and companies that do not choose to engage in overseas marketing activities; as CMPE gets orders, they should charge fees to beneficiary exporters; goal should be to be as financially self-supporting as possible

2. Engage in Strategic Planning: target selected markets with the greatest sales potential (e.g., France, West Germany, US, UK, Gulf States, possibly the Far East); focus on these markets for five years; products and companies should be measured according to export potential; build on existing knowledge and contacts in product departments, which are already very good; add a fifth product department for artisanal products; develop a 5-Year Plan detailing additional staffing needs, new products to be investigated for export, new offices to be opened, sales growth projections by country/product, resources required; develop 1-Year Action Plans to determine how to achieve objectives, with review and modification each year; Action Plans would include numbers of customers contacted in person, by phone, by letter, number of new customers placing orders, repeat orders, new products, new companies introduced to export, number of trips, location and duration, training of staff, funding required, income anticipated; Action Plans would serve as basis for evaluation

3. Make CMPE Autonomous: reorganize CMPE as a Government-owned, non-profit organization controlled by a Board of Directors appointed by the Government; Board would consist of a majority of private sector exporters, and a minority from key ministries or GOM companies (e.g., Commerce, Finance, Artisanal, COMANAV, RAM); civil service rules on hiring, firing, salaries would not apply; CMPE would be allowed to charge fees/commissions; CMPE would be self-managing, with power over internal (re)organization subject to Board of Directors approval; Board of Directors would review/modify 5-Year Plans, 1-Year Action Plans, appoint Managing Director, set salary schedules, review quarterly results at quarterly meetings; impact likely to be staff

with a clear focus, more self-sustaining and efficient export promotion

4. <u>Open Export Promotion Offices Abroad</u>: Morocco is competing with Spain (72 offices), Portugal (32) and other countries with aggressive export promotion; offices should conform to #1-2

5. <u>Use Existing Training Resources</u>: utilize bilateral and multilateral aid programs for targeted training to promote strategic focus (e.g., USAID/World Trade Institute "Export Market Entry/Strategies" Program)

6. <u>Reorganize Staff</u>: many staff performing non-product services; should be reorganized, with some functions privatized; reduce staff by 20, and add Artisanal Department; open 3-person offices in key countries staffed by Moroccan, competent and well-paid local secretary and a marketing specialist (provided by host country or hired by CMPE); install counterpart foreign marketing specialists at CMPE to train Moroccans to take over (e.g., after 2 yrs.)

7. <u>Work in English</u>: make English the working language at CMPE; have continuous language training of staff; produce all CMPE publications in English, with French and Arabic as needed; focus on buyers' needs, exportable products

EXHIBIT 5: **IESC EXPORT PRODUCTION PROJECTS BY SECTOR AND EMPLOYEE SIZE**

Most IESC export production projects under the Cooperative Agreement have involved more than 250 employees (33/59, or 56%), with most of these in the textile and agro-industrial sectors. Firms with 26-150 employees have also been well represented (14/59, or 24%), largely in the agro-industrial sector.

SECTOR	EMPLOYEE SIZE* 1	2	3	4	5
Textiles**	0	1	2	8	10
Agro-Industry**	1	5	0	0	3
Fishing	0	1	0	0	3
Wood/Paper	0	1	1	1	3
Chemicals/Plastic	2	2	2	0	0
Miscellaneous	3	4	1	3	2
Total	6	14	6	12	21

* Employee Size Categories:
1) < 25 employees
2) 26-150 employees
3) 151-250 employees
4) 251-500 employees
5) > 500 employees

** Information on three textile and one agro-industrial enterprises was not available

116

EXHIBIT 6: IESC EXPORT PRODUCTION PROJECTS BY SECTOR AND TURNOVER

Virtually all IESC export production projects have involved firms with greater than DH 10 million in annual turnover (49/63, or 78%). The largest classification has been firms with DH 10-30 million (31/63, or 49%), with broad representation across sectors. While smaller textile firms have received assistance, only three projects in the agro-industry, fishing, wood/paper and chemicals/plastics sectors had less than DH 10 million in stated annual turnover.

SECTOR	TURNOVER*				
	1	2	3	4	5
Textiles	1	2	2	13	6
Agro-Industry	0	1	0	3	6
Fishing	0	0	0	4	0
Wood/Paper	0	0	0	5	1
Chemicals/Plastic	0	0	2	2	2
Miscellaneous	1	3	2	4	3
Total	2	6	6	31	18

* Turnover Classification:
1) < DH 1 million per year
2) DH 1-5 million per year
3) DH 5-10 million per year
4) DH 10-30 million per year
5) > DH 30 million per year

EXHIBIT 7: **CLIENT EVALUATION OF IESC PERFORMANCE BY SECTOR**

According to the 27 Client Evaluation forms reviewed (38% of total completed projects), IESC assistance has fully satisfied 64% of its clients (16/25), partially satisfied 8% (2/25) and left 28% (7/25) dissatisfied. Based on the rating system described below, this constitutes a 68% success rate. (The discrepancy between 27 forms reviewed and 25 projects reflects incomplete but partially useful evaluations).

SECTOR	CLIENT EVALUATION RATING*			TOTAL**
	1	2	3	
Textiles				
- Export Production	3	1	5	5.5/9
- Export Marketing			3	3/3
Agro-Industry				
- Export Production			3	3/3
- Export Marketing	1		1	1/2
Fishing				
- Export Production	2			0/2
- Export Marketing				0/0
Wood/Paper				
- Export Production			2	2/2
- Export Marketing				0/0
Chemicals/Plastics				
- Export Production	1			0/1
- Export Marketing				0/0
Miscellaneous				
- Export Production		1	1	1.5/2
- Export Marketing			1	1/1
TOTAL	0/7	1/2	16/16	17/25

* CLIENT EVALUATION RATING SYSTEM:
1) Dissatisfied = 0
2) Partially Satisfied = .5
3) Fully Satisfied = 1

** TOTALS: Numerator equals total accumulated points by classification; denominator equals total possible points by classification

EXHIBIT 8: IESC EVALUATION OF IESC PERFORMANCE BY SECTOR

Based on IESC reviews of 27 projects on which clients also submitted evaluations (see Annex VI-7), IESC fully satisfied 76% of its customers (19/25), partially satisfied 20% (5/25), and left 4% (1/25) dissatisfied. Based on the rating system described below, this constitutes an 86% success rate.

SECTOR	CLIENT EVALUATION RATING* 1	2	3	TOTAL**
Textiles				
- Export Production	1	3	6	7.5/10
- Export Marketing			3	3/3
Agro-Industry				
- Export Production			2	2/2
- Export Marketing		1	1	1.5/2
Fishing				
- Export Production			2	2/2
- Export Marketing			1	1/1
Wood/Paper				
- Export Production			2	2/2
- Export Marketing				0/0
Chemicals/Plastics				
- Export Production		1		.5/1
- Export Marketing				0/0
Miscellaneous				
- Export Production			1	1/1
- Export Marketing			1	1/1
TOTALS	0/1	2.5/5	19/19	21.5/25

* CLIENT EVALUATION RATING SYSTEM:
1) Dissatisfied = 0
2) Partially Satisfied = .5
3) Fully Satisfied = 1

** TOTALS: Numerator equals total accumulated points by classification; denominator equals total possible points by classification

- 119

EXHIBIT 9: **COMPARATIVE CLIENT/IESC EVALUATIONS OF IESC PERFORMANCE BY SECTOR**

Based on comparative ratings of IESC performance, clients were satisfied 68% while IESC considered itself successful 86%. Differences of opinion concerned export production projects in the textile and fishing sectors, while deviations in other sectors were minimal. Clients and IESC generally agreed that export marketing projects had been successful.

	CLIENT RATINGS*		
SECTOR	PRODUCTION	MARKETING	TOTALS
Textiles	5.5/9	3/3	8.5/12
Agro-Industry	3/3	1/2	4/5
Fishing	0/2	0/0	0/2
Wood/Paper	2/2	0/0	2/2
Chemicals/Plastics	0/1	0/0	0/1
Miscellaneous	1.5/2	1/1	2.5/3
TOTALS	12/19 (63%)	5/6 (83%)	17/25(68%)

	IESC RATINGS*		
SECTOR	PRODUCTION	MARKETING	TOTALS
Textiles	7.5/10	3/3	10.5/13
Agro-Industry	2/2	1.5/2	3.5/4
Fishing	2/2	1/1	3/3
Wood/Paper	2/2	0/0	2/2
Chemicals/Plastics	.5/1	0/0	.5/1
Miscellaneous	1/1	1/1	2/2
TOTALS	15/18 (83%)	6.5/7 (93%)	21.5/25(86%)

* RATINGS: see Annexes VI-7,8 for description of rating systems.

EXHIBIT 10: **MOROCCAN EXPORTS BY MARKET (1985-OCTOBER 1989)**

The following tables highlight Moroccan exports in US$. Exchange rates from 1985-1987 were sourced from the World Bank. The exchange rate for 1988 is an average of quarterly rates published by the Bank al-Maghreb. The exchange rate for January-October 1989 was sourced from the Bank al-Maghreb. Export figures came from La Banque Marocaine du Commerce Extérieur (1985-1988) and the Office des Changes (January-October 1989). 1989 figures are annualized.

MOROCCAN EXPORTS IN MILLIONS OF $US

MARKET	1985	1986	1987	1988	1989*
EEC	1,069	1,413	1,716	2,036	1,974
Other Euro.**	539	340	315	361	250
Asia***	367	444	415	754	375
United States	30	31	45	76	68
Other W. Hemis.	43	81	112	112	72
Maghreb States	57	56	122	157	NA
Other African	56	63	73	101	238
Total	2,161	2,428	2,798	3,597	2,977
Coverage****	56%	64%	66%	76%	59%
U.S. Coverage	13%	7%	12%	23%	19%
Debt Service *****	16%	16%	14%	15%	16%

Trade with the United States has been advantageous to the U.S., as shown by Morocco's low coverage ratios with the U.S. Moroccan exports to the U.S. from 1985-1989 were only 2% of total Moroccan exports. The EEC is still Morocco's leading trading partner, representing 59% of total exports and 51% of total imports from 1985-1989. Morocco's exports to the U.S. have primarily been phosphates, fertilizers, processed foods and textiles.

* 1989 is annualized based on January-October figures; the total may understate actual export values as Morocco had a large shipment of phosphoric acid sent to India in December; values for Libya and Mauritania were not available in individual country listings, therefore "Other African" is total African in 1989

** Other European countries include Portugal and Spain only in 1985; these countries are included in the EEC from 1986

*** Asia includes the Middle East (except Egypt and Maghreb states) and Oceania (Australia, New Zealand, New Caledonia, etc.)

**** Coverage is the percentage of exports to imports

***** Debt Service is interest expense owed on public debt as a percentage of export earnings from goods, nonfactor services and private transfers; sourced from IMF

EXHIBIT 11: NATIONAL ADVISORY COUNCIL OF IESC-MOROCCO

The following is a list of members of the IESC National Advisory Council in Morocco.

Chairman:
Saad Kettani
Group SOPAR; WAFABANK

Members:
Abdelhamid Ayouche
FICOMA; Les Grandes Marques de la Conserve; Les Sous-Produits de la Mer

Chafiq Essakali
Chantiers et Ateliers du Maroc

Mohammed Tazi
ASMEX

Steve O'Hana
Chems Souss; FAPAC; CMCP

Driss Meskini
Biscuiterie Industrielle du Maghreb; Bois de l'Atlas

Chahid Ouazzani
Fimme

Abdeslam Benlemlih
Omnium Marocain de Peche

Mohamed Lahlou
Manatex; Association Marocaine des Industries Textiles

Said Bensouda
Banque Marocaine de Commerce Extérieur

Mourad Cherif
Omnium Nord Africain

EXHIBIT 12: **IESC PROJECT SELECTION PROCESS AND DATA**

IESC has assigned a marketing manager ("Attaché de Direction") to review publications, lists and other available sources for export firms. The marketing manager contacts firms by telephone or other means to assess the potential for IESC assistance. If the firm fits IESC criteria and is interested in assistance, IESC then visits the firm on site to discuss specific assistance required, type of volunteer, and fee amounts. An agreement is later signed, at which time IESC Casablanca informs the home office of the kind of volunteer needed. The selection process takes several months between the time a firm is identified and the time a volunteer arrives in Morocco. The process also involves several screening steps to ensure the firm and assistance conform to the terms of the Cooperative Agreement. The following provides data on the project selection process:

	1986	1987	1988	1989	1990
Telephone Contact	130	220	345	248	96
Firms Interviewed	73	138	186	125	44
Projects Signed	19	42	48	36	9
Projects Completed	2	24	27	18	1

While IESC has stated confidence in achieving its target of 130 successfully completed export production projects and 15 export marketing projects by June 1991, this will mean an average of five per month beginning April 1990. This is more than double the rate achieved in 1987-1988, its most productive period.

EXHIBIT 13: IESC PRICING POLICY FOR SERVICES

FIRM SIZE*	MONTHLY CONTRIBUTION
< 500,000 DH	DH 20,000/month
to 1,000,000 DH	DH 25,000/month
to 5,000,000 DH	DH 30,000/month
to 10,000,000 DH	DH 35,000/month
to 30,000,000 DH	DH 40,000/month
> 30,000,000 DH	DH 45,000/month

* Firm Size: based on latest Kompass turnover