

IDENTIFICATION DATA

A. REPORTING A.I.D. UNIT:

USAID MOROCCO

(Mission or AID/W Office)

(ES# 608-84-01)

B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN?

yes  slipped  ad hoc

Eval. Plan Submission Date: FY   0  

C. EVALUATION TIMING

Interim  final  ex post  other

PD-ABE-092

D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report)

Project #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
608-0191	Economic Policy Analysis Support Project	7/85	9/90	11,500	2,570

ACTIONS

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

Action(s) Required

1. Undertake an intensive review to determine reasonable end-of-project targets, whether an extension of the PACD is required to accomplish them, appropriate HIID advisory role beyond 9/30/89 and conditions under which extension of Pricing Directorate subproject with Ministry of Economic Affairs would be considered.
2. Negotiate and implement a second subproject to provide short-term assistance for policy measures and possible professional identification of other subprojects.
3. Push forward and test limits of Economic Policy Development Subproject.

Name of officer responsible for Action

Date Action to be Completed

USAID/HIID

4/28/89

USAID/MEA

Done

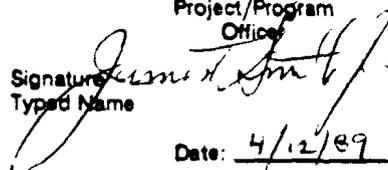
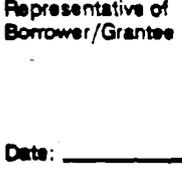
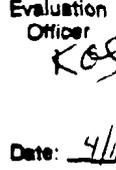
USAID

12/31/89

(Attach extra sheet if necessary)

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION: mo 4 day 7 yr 89

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

Project/Program Office	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
			
Signature Typed Name	Date: <u>4/12/89</u>	Date: _____	Date: <u>4/12/89</u>

APPROVALS

H. EVALUATION ABSTRACT (do not exceed the space provided)

The Economic Policy Analysis Support Project (608-0191) is an "umbrella" funding instrument under which a series of specific subprojects can be implemented. These subprojects are to assist the Government of Morocco (GOM) to achieve economic policy reforms through strengthened economic policy analysis and appraisal capacity in several GOM units.

The interim evaluation of this project was conducted in November 1988 by a two-person team from Development Associates and Development Alternatives under their firms' joint Development Management IQC. The evaluators interviewed officials involved in the design of the project and in the design of subprojects, the officials of the Ministry of Economic Affairs implementing the Pricing Directorate subproject and the overall project, officials from Ministries affected by the policy work underway and representatives of the private sector concerned with price deregulation and policy change as it affects their businesses. After reviewing documents produced through the subproject, relevant AID and GOM literature and interviewing the officials listed above, the advisors from the Harvard Institute for International Development working with the Pricing Directorate, and USAID officials, they came to the following major conclusions and recommendations:

1. Only one subproject has been realized. To be successful the overall project needs a strong "pull" from various parts of the GOM for the assistance it offers. No such demand has occurred.
2. Expectations on what could be achieved through the Pricing Directorate subproject were over-optimistic. Measured by AID results in similar efforts worldwide, the subproject must be counted as successful. However, the institutionalization of policy research has not succeeded.

The USAID and the HIID team should immediately undertake an intensive review of the Pricing Policy Subproject to decide: (1) what are reasonable specific end-of-project targets, (2) whether an extension of the Project PACD is required to accomplish them, and (3) what is an appropriate future role for the HIID advisory effort?

USAID/Morocco should intensify its efforts to implement the Short-term Studies Subproject. The current outreach activities of the HIID advisors can serve as a valuable complement to the subproject activities.

The PACD should be extended as necessary to accomodate either an extension of the subproject or implementation of any new subprojects that may result, or both.

ABSTRACT

COSTS

I. EVALUATION COSTS

1. Evaluation Team		Contract Number <u>OR</u> TDY Person Days	Contract Cost <u>OR</u> TDY Cost (US\$)	Source of Funds
Name	Affiliation			
Gordon Ramsey	Development Associates, Inc.			Project
Eric Nelson	Development Alternatives, Inc.			Project

2. Mission/Office Professional Staff Person-Days (estimate) \_\_\_\_\_

3. Borrower/Grantee Professional Staff Person-Days (estimate) \_\_\_\_\_

# A.I.D. EVALUATION SUMMARY PART II

## J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided) Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: USAID/Rabat PROG

Date this summary prepared: March 24, 1989

Title and Date of Full Evaluation Report: Final Report "Economic Policy Support Project in Morocco"

Purpose of activities evaluated: The Economic Policy Analysis Support Project (608-0191) is an "umbrella" funding instrument under which a series of specific subprojects can be implemented. These subprojects are to be directed at assisting the Government of Morocco (GOM) achieve economic policy reforms through strengthened economic policy analysis and appraisal capacity in several GOM units.

Purpose of evaluation and methodology used: The evaluation is an interim review of the project begun in 1985 with a planned completion date (PACD) of 1990. It is intended to assist USAID Morocco officials in their decision-making processes on the present conduct and future disposition of the project. The methodology adopted by the team was straight forward and simple, a combination of document review and face-to-face interviews. The team interviewed USAID officers, the Director and staff of the Pricing Directorate, representatives of private enterprise, a private bank, the Director of Plan, and others in the Ministries of Plan, Finance, Economic Affairs, Agriculture and Interior. Based on the information gathered in documents and interviews, the report was formulated with the team's findings, conclusions and recommendations.

### Findings and Conclusions:

A. With respect to the overall project, the team's findings are, first, the project goal, where known, has been generally appreciated. Several discussants expressed frustration that subproject proposals have not worked out. The principal perceptions on the part of the Moroccans have been: (1) a lack of understanding on both sides of the other's programming modalities and structures; (2) an inappropriate level or unit of entree into the counterpart agency on the part of AID, given the proposed intervention (that is, an attempt to propose policy reform with an implementation agency); and (3) a lack of clarity on the distinction between formal and informal negotiations which is common among Americans but less so elsewhere, leading to missed signals. Second, the subprojects as a group may not accomplish the project goal. The existing subproject may be a success as a training and institution building activity, and the attraction of the subproject modules for the Moroccans interviewed lies largely here. However, there is less evidence of a significant contribution toward the improved economic policy design and implementation, the overall goal of the project. Third, the DP subproject has become confused with the overall Economic Policy Analysis Support Project in the minds of members of other Ministries. Fourth, the team could identify fewer possible policy interventions for subprojects than were originally thought to exist.

The evaluation team supports a proposal by USAID Morocco for a subproject to provide short-term assistance for policy measures and possible professional identification of other subprojects. In spite of the Mission's encouragement of the use of project resources by other GOM units to enhance their economic policy analysis capabilities, units other than DP have not requested assistance which would use project resources.

SUMMARY

The subproject under consideration would provide the means to respond to needs of various GOM units concerned with economic reform and structural adjustment with a speed and flexibility difficult to obtain through the USAID subproject MOU process.

B. With respect to the Pricing Directorate subproject, the evaluation came up with a long list of conclusions and recommendations related to the process of transforming the Pricing Directorate from its regulatory function to a well-managed policy studies unit. Conclusions are as follows:

- The management capabilities of the entire DP staff needs upgrading.
- AID expectations for training of an advanced economic policy unit were not realistic, given the distribution of staff capabilities in the DP.
- The basic constraint to training remains the ability of the individual staff members to benefit from it.
- English language training is required and important for the professional development of the DP staff.
- The French translation of the Memorandum of Understanding for the subproject emphasizes studies and presentations whereas the English version implies active involvement. This is a significant source of misunderstanding over the role of the subproject.
- Although the intermediate policy outputs (studies) were more than satisfactory, the evaluation team does not know their ultimate effect on policy.
- Interior Ministry and local price controls remain in effect on many items.
- The net result of two years of subproject implementation is an enhanced "esprit de corps" which was at a high level at the time of the review.
- Computer upgrading has been appropriate as demand has grown and changed.
- The computer room has been an excellent training device through its contribution to team learning and through its optimal use of a scarce resource.
- Any request that AID fund the purchase of a mini-computer system for the MAE is not justified.
- The team agrees that the cadres have extra time, but are not so sure, given conflicting testimony, how much it is used to improve their work.
- The subproject is already a success when viewed as a training project, but has fallen short of intentions (particularly AID intentions) when viewed as assistance to ongoing policy reform.
- HIID advisors have the knowledge and experience to assume a larger advisory role for the Ministry without reducing their training effectiveness of the DP staff.
- Progress in increasing DP staff capabilities has been good. However, for DP to stay on top of the economic reform process, to meet the growing demand for broader scope economic analyses, the team believes DP will need to add ideally two (but at least one) well trained and experienced economists to its staff.
- The University of Rabat's short-term consultants interacted well with the permanent staff and contributed to their enrichment of understanding the portfolios concerned and of analytical techniques.

Principal Recommendations:

- USAID should be prepared to provide resources to the GOM for a range of short-term studies. The "outreach" effort of the two advisors, discussed above, should be related to this process in a formal manner.
- The team recommends that the Director and all DP staff be given basic management training.
- The team recommends that if at least two professional economists are added to the staff of the DP that Messrs. Gray and Saulniers teach a higher-level course. Other ministries and directorates may wish -- and should be encouraged -- to use this as a vehicle for advanced training of their economists.

- The training opportunities which have been lost, and the unrealistic original expectations for the subproject on the part of USAID, lead us to endorse the "outreach" model currently undertaken by the advisors as superior to formal training activities which would be subject to the vagaries caused by change of counterpart at the Ministerial or Director level.
- The DP must work out its training needs clearly to permit design of personal and DP staff development programs, and to design such a program with the Minister's approval so that newly trained staff will continue to contribute to DP rather than be rotated elsewhere.
- An English language training course should be developed, specifically tailored to DP needs, and given in-house.
- The difference in perceptions of subproject role and purpose must be reconciled for effective progress on the subproject. This reconciling of differences of perception should be taken up as an agenda item of the subproject steering committee and clarified to the satisfaction of DP, USAID, HIID, and MAE.
- The evaluation team approves of ongoing network-building attempts by the advisors, across other Ministries to strengthen Moroccan policy ability at End-of-Project.
- In the final debriefing, Minister of Economic Affairs Zahidi stated to us that the project and subproject require broader policy work outside the MAE among those who support liberalization, and stated his approval of these activities on the part of the HIID team, and of development of other subprojects by USAID under the Project to develop parallel and complementary activities in other Ministries. We recommend that the HIID team continue its part of these activities.
- The MAE must plan carefully and budget for computer maintenance, repair and supplies.
- Before any further consideration of a mini-computer, MAE should check with other users of similar systems to see their use, maintenance cost and burden, and staff training requirements. We do not recommend this for AID financing.
- Authorization to continue and strengthen the "outreach" activities of the subproject should relieve a major perceived constraint on the part of the HIID team in the policy dimension. The connection between training and policy advice must be strengthened.
- In the team's debriefing with the Minister, we made the suggestion that he take advantage of the experience and expertise of the HIID advisors in analyzing and advising on specific economic reform policy issues.
- We strongly recommend that the Minister reconsider his current policy of not adding any additional staff, and recruit and assign two qualified economists to the DP staff.
- The short-term part of the budget for the subproject is substantially underspent. We recommend that the Rabat team (including MAE and DP) work to identify effective interventions during the remainder of the project.
- A special effort should be made to provide technical assistance to the upcoming development of new legislation regulating anti-competitive practices.

#### Sustaining DP Subproject Impact

The model the team would recommend for DP to work toward and sustain in the future would be:

- a. Develop core staff capability to the point that it will be able to handle demand for more advanced economic analysis work, develop terms or reference, supervise studies by contract experts, and evaluate and use completed studies. This will require, as recommended elsewhere, the addition of two experienced and qualified economists to the DP staff.
- b. Budget for and continue the use of outside expertise to perform indepth analytical studies, such as the use of University of Rabat professors or perhaps interministerial committees.
- c. Continue upgrading through training of DP staff.
- d. Continue upgrading computer technology to keep pace with growing analytical tasks.

K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

1. Evaluation Report and Annexes.

ATTACHMENTS

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

USAID generally agrees with the conclusions and recommendations of the evaluation. However, we would characterize certain aspects of project implementation somewhat differently. The comments which follow deal first with the overall project and then with the Pricing Directorate subproject.

The interaction with organizations requesting subproject assistance has not been the "dialogue of the deaf" which the evaluation report implies was the case. The process of putting together subprojects is sufficiently onerous that only a few can be done each year. Once such a proposed subproject is rejected, the Mission must start over again in a design process akin to developing a full-blown project. Subprojects were ultimately rejected by GOM entities for a variety of reasons, either because they did not permit the flexibility which they were seeking, or they involved advisory assistance for subproject implementation which was seen as intrusive, or the GOM found another donor offering more attractive assistance. The result has proved that the "demand" for subprojects was not as strong as appeared to be the case when the project began.

Now that the Ministry of Economic Affairs and USAID have agreed upon a second subproject, the Economic Policy Development Subproject (referred to in the evaluation as the Short-term Studies Subproject), with a flexible process for the acquisition of technical expertise on a short-term basis, the "demand" for such assistance now appears to be almost unlimited. This contrasts strongly with the reaction of the Ministry of Finance and the Bank Al Maghrib to our design process for a subproject. Thus the Mission agrees that we should intensify our efforts to implement this second subproject and put additional emphasis on outreach activities from the Pricing Directorate.

The Mission also agrees with the long list of recommendations made for the Pricing Directorate subproject. However, given the failure of the subproject to date to institutionalize policy research, we feel the subproject is worth extending for another year only if the Ministry of Economic Affairs agrees to improve the analytical capacity of the Pricing Directorate and makes its intent vis a vis price deregulation more explicit. We view these two conditions and a renewed emphasis on outreach to other ministries and organizations of the GOM as a sine qua non for subproject extension. The other recommendations involving management training, English language training, a revised training plan, computer maintenance, the use of short-term advisors and the use of University consultants will be included in the work plan for the fourth year of the subproject provided that the Ministry of Economic Affairs agrees to what the Mission considers are the basic prerequisites to achieve the purposes of the subproject.

Finally, the Mission would like to comment that the evaluation was well conducted and involved all parties concerned with project implementation, thus making it a useful process as well as a useful document for improving project implementation.

MISSION COMMENTS ON FULL REPORT

FINAL REPORT  
"ECONOMIC POLICY SUPPORT PROJECT  
IN MOROCCO"

Contract No. PDC-5317-I-00-8127-00,  
Delivery Order No. 1

Submitted to:

USAID/RABAT

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**BEST AVAILABLE COPY**

January 1989

## TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY.....	iv
BASIC PROJECT IDENTIFICATION DATA.....	vii
I. INTRODUCTION.....	1
II. BACKGROUND AND CONTEXT OF PROJECT.....	2
A. The Moroccan Structural Adjustment Program.....	2
B. Donor Assistance - The IMF and World Bank.....	3
C. USAID Involvement in the Structural Adjustment Program.....	4
III. REVIEW OF THE OVERALL ECONOMIC POLICY ANALYSIS SUPPORT PROJECT.....	6
A. Overall Project Goal and Purpose.....	6
B. Subproject Selection Process.....	6
C. Administration of the Overall Project.....	7
(1) History of Project Development.....	7
(2) Implementation of the Overall Project.....	8
(3) Overall Project Findings.....	9
IV. REVIEW OF THE PRICING POLICY SUBPROJECT.....	12
A. Purpose.....	12
B. Subproject Inputs.....	12
(1) Equipment and Supplies.....	13
(2) Technical Assistance.....	13
(3) English Language Training.....	13
(4) Ministry of Economic Affairs (MAE) Inputs.....	13
C. Subproject Outputs.....	14
V. CONCLUSIONS AND RECOMMENDATIONS.....	17
A. The Overall Economic Policy Analysis Support Project.....	17
B. Subproject, Goals Being Accomplished.....	18
(1) Training.....	18
(2) English Language Training.....	20
(3) HIID and Policy Advice.....	21
(4) Subproject Policy Impacts.....	23
(5) DP Team Spirit.....	24
(6) Computerization.....	24
(7) Analysis and Use of Training, English, Policy Assistance and Team Spirit.....	27

TABLE OF CONTENTS (Cont.)

Page

(8) DP Staff Morale and Transformation of Tasks.....	28
(9) Short-term Consultants Under Contract.....	29
(10) Miscellaneous.....	30
(11) Sustaining DP Subproject Impact.....	31
<b>VI. SUPPLEMENT: BEGINNING OF PROJECT STATUS (BOPS) INDICATORS.....</b>	<b>32</b>
Measures of Goal Achievement.....	32
Project Purpose: Conditions That Will Indicate Purpose Has Been Achieved.....	35
<b>APPENDICES:</b>	
Appendix A: Evaluation Scope of Work	
Appendix B: Log Frames Project and DP Subproject	
Appendix C: Methodology	
Appendix D: Memorandum of Understanding	
Appendix E: Critical Analysis of MOU	
Appendix F: Economic and Benchmark Data	
Appendix G: Subproject Selection Criteria (PROAG - Aug 1985)	
Appendix H: Hardware and Software Provided	
Appendix I: English Language Training (DP Staff)	
Appendix J: List of Contacts	
Appendix K: Documents Reviewed	

## EXECUTIVE SUMMARY

This is a summary of an evaluation of an AID-funded activity in Morocco entitled Economic Policy Analysis Support Project (608-0191). The evaluation was undertaken by a two-person team from Development Associates and Development Alternatives under their firms' joint Development Management IQC.

The evaluation is an interim review of a U.S. \$11.5 million project begun in 1985 with a planned completion date (PACD) of 1990. It is intended to assist USAID Morocco officials in their decision-making processes on the present conduct and future disposition of the project.

The purpose of the Economic Policy Analysis Support Project is to provide an "umbrella" funding instrument under which a series of specific subprojects can be implemented. These subprojects are to be directed at assisting the Government of Morocco (GOM) achieve economic policy reforms through strengthened economic policy analysis and appraisal capacity in several GOM units.

This type of project is squarely within the "policy dialogue" emphasis of the Agency for International Development. Its appropriateness, however, does not reduce the difficulty of successful project implementation. AID involvement in projects that deal with cooperating country economic and social policies are the most difficult to accomplish. Moreover, host governments are usually sensitive about involving foreigners in their economic policy deliberations.

So it has been in Morocco. In addition, there were at least two important misperceptions in the design of the project: First, project documents stress the strong dynamism within the GOM itself for reform. Yet overall GOM development priorities place economic restructuring as only secondary to other development goals. To be successful the overall project needs a strong "pull" from various parts of the GOM for the assistance it offers. No such demand has occurred. Second, the project has a basic flaw in its design for a management structure. It was placed within a ministry that does not have sufficient authority or influence (and perhaps, as well, desire) to market project benefits to other GOM ministries.

Policy projects or programs are inherently demand-driven. Even the best policy advice and the best training of Moroccan policy analysts to provide such advice requires that policy makers understand the need for such advice and -- if the donor training is to be successful -- can provide continual feedback to their own Moroccan analysts to support analytical response to political needs. The analysis was provided competently by the project advisors, including especially through the training of local analysts. The demand was conveyed sporadically, if at all, and did not contribute to more effective Moroccan assistance to Moroccan policy problems.

Thus, among a series of economic reform-related subprojects envisioned in project documents, only one subproject has been realized. That is the Pricing Policy Subproject where a variety of inputs -- computers and supplies, a technical assistance team, and training -- have been provided to the staff of the Directorate of Pricing (DP) in the Ministry of Economic Affairs (MAE) in order to improve the unit's analytical capacities.

Although criticisms are leveled at the subproject, the evaluation team believes that when measured by AID results in similar efforts worldwide, the Morocco DP Subproject must be counted as successful. Initially, as frequently occurs, expectations on what could be achieved through the subproject were over-optimistic. In this instance, the presence during the project design phase of a very interested and energetic Minister in MAE fueled optimism among USAID officials and advisors from the Harvard Institute for International Development (HIID), the technical assistance contractors for the project. When that Minister was transferred, the changed environment posed unanticipated challenges for the overall project and for subproject implementation.

To a reasonable extent those challenges have been met. HIID team members are highly qualified and have been effective in their work of advising the Directorate of Pricing and training its staff. They could be even more valuable if -- as had been anticipated -- the policy research produced by their counterparts and by the advisors would be accepted by the MAE and other units of the GOM.

In summary, the overall Economic Policy Analysis Support Project when judged by its own objectives has not succeeded. But the Pricing Policy Subproject should not bear the entire onus of what did not happen. The advisors and their counterparts have had a minor impact, but the institutionalization of policy research has not succeeded. This is not a problem of the advisors, whose work has been exceptionally good. Rather, it results from the reluctance of ministries to use such analysis in their decision-making.

The evaluation team recommends the following:

- The USAID and the HIID team should immediately undertake an intensive review of the Pricing Policy Subproject to decide: (1) what are reasonable specific end-of-project targets, (2) whether an extension of the Project PACD is required to accomplish them, and (3) what is an appropriate future role for the HIID advisory effort?
- USAID/Morocco should continue and perhaps intensify its efforts to implement the Short-term Studies Subproject, both for the benefits such studies can bring the GOM but also as a potential means for identifying other new, reasonably time-limited subprojects. The current outreach activities of the HIID advisors can serve as a valuable complement to these subproject activities.
- The PACD should be extended as necessary to accommodate either an extension of the subproject or implementation of any new subprojects that may result, or both. If no subproject extension is required and no new subprojects are identified, the project should terminate in September 1990, as originally planned.
- USAID Morocco should complement the technical assistance provided by the contractors by stressing in their policy dialogue the need for competent policy analysis from Moroccans. From there the importance of the project can be developed.

The evaluation team also recommends that a summative evaluation be made of this project in order to determine its impact on the economic policy reform process in Morocco and to ascertain "lessons learned" in its implementation. Given the priority placed on policy dialogue by the Agency, it is essential that AID learn as much as it can from its experiences, both good and bad.

## BASIC PROJECT IDENTIFICATION DATA

1. Country: Morocco
2. Project Title: Economic Policy Analysis Support Project
3. Project Number: 608-0191
4. Project Dates:
  - a. First Project Agreement: 22 July 1985
  - b. Final Obligation Date: FY 1989 (planned)
  - c. Most recent Project Assistance Completion Date (PACD): 9/30/90
5. Project Funding (Amounts obligated to date in dollars or dollar equivalents from the following sources):

a. AID Bilateral Funding grant	US\$ 2,570,000
b. Other Major Donors	US\$ -
c. Host Country Counterpart Funds	US\$ 658,000*
Total	US\$ 3,228,000
6. Mode of Implementation (Host country or AID direct contractor? Include name of contractor.)

AID Direct Contract with Harvard Institute of International Development.
7. Project Designers: (Organizational names of those involved in the design of the project):

USAID Morocco and Government of Morocco, Ministry of Economic Affairs
8. Responsible Mission Officials (for the full life of the project):
  - a. Mission Director(s): Robert C. Chase and Charles W. Johnson
  - b. Project Officer(s): Ulrich Ernest and James T. Smith
9. Previous Evaluation(s) : None

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\* This is an estimated local currency cost of both in-kind (salaries, office space and facilities, secretarial support) and budgeted expenses for maintenance and repair of computer and copier equipment, and travel costs for training away from DP offices.

## I. INTRODUCTION

The following presents the findings, conclusions and recommendations of the external evaluation team -- Gordon B. Ramsey of Development Associates, Inc., and Eric R. Nelson of Development Alternatives, Inc. -- who were contracted by AID under Delivery Order No. 1 of Indefinite Quantity Contract (IQC) No. PDC-5317-I-00-8127-00, a joint IQC contract of the two firms with AID.

The scope of work specified that this interim evaluation should review the status of the overall project entitled "Economic Policy Analysis Support Project," but that particular emphasis should be given in the review to the Pricing Policy Subproject. This subproject is a key component of USAID Morocco's assistance to the Government of Morocco in the GOM structural adjustment program, involving liberalization of price and trade regimes and the removal of quantitative restrictions on trade. One aspect of this interim evaluation is to gather benchmark data on the economic situation that can be used in a later evaluation to assess end-of-project status. Section VI and related tables in Appendix F provide the Beginning Of Project Status (BOPS) information called for in the scope of work.

The evaluation team has incorporated into this report comments received from the Mission, from the advisors, and from the Pricing Directorate (DP) in the Ministry of Economic Affairs (MAE). The DP's official comments have been used as testimony concerning its intentions and its view of the subproject with which it is directly concerned.

This report contains six sections, including this introduction:

- Section II describes briefly the background and context of the Economic Policy Analysis Project, discussing it in the context of the Moroccan structural adjustment program;
- Section III provides a review of the overall project, including the project goals and purposes, its administration and implementation, and overall findings;
- Section IV contains a review of the only on-going subproject which has been agreed, the Pricing Policy Subproject with the Pricing Directorate of the Ministry of Economic Affairs.
- Section V sets out the team's conclusions and recommendations, and
- Section VI, a Supplement, provides Beginning of Project Status (BOPS) indicators that can be used in the final project evaluation.

In addition, the report contains 11 appendices containing additional information about the Moroccan economy, the documentation of the project, and references by the evaluation team.

## II. BACKGROUND AND CONTEXT OF PROJECT

### A. The Moroccan Structural Adjustment Program

The phosphate boom of the mid-1970s encouraged the Moroccan Government (GOM) to undertake major public investment in infrastructure and human services, a level of expenditure which could not be maintained when commodity prices subsequently collapsed. This budget shortfall, added to military expenditures incurred in the Western Sahara since 1975, resulted in large government budget deficits. Generally, the increased instability in world market prices since the 1970s following the floating of exchange rates among major trading countries has penalized particularly the unresponsive methods of administrative price-setting used for some enterprises regulated or controlled by the state. Together, these two tendencies led to structural weaknesses in the economy, which were sharply revealed by several years of drought which reduced agricultural production and export, and magnified the need for food imports on the current account. An unsustainable deficit in the balance of payments developed, with heavy foreign borrowing which came to exceed 100 percent of Gross Domestic Product (GDP).

Before 1983, the incentive structure of the Moroccan economy had been inward oriented, favoring production for the domestic market. The effective protection of domestic value added was high on average, and its range relatively wide and only loosely related to international comparative advantage. Direct (quantitative) restrictions on imports were used extensively since 1965, with an annual import program classifying all goods according to three lists -- freely importable, prohibited, and importable only if authorized after interministerial ruling as to the "need" for import. The use of direct controls and licensing of imports, exchange, trade and investment grew during the 1970s and early 1980s to become quite extensive. An exchange rate which has been overvalued since independence is itself a constraint to export. It also necessitated the imposition of capital controls (in 1958 and 1964) and import restrictions which hurt potential exporters at least as much as consumers. The export receipts of the commodity boom which began in 1973 and collapsed in 1976 served to conceal the allocation burden of this policy. The GOM responded to the collapse by tightening trade restrictions rather than depreciating the currency. Finally, state ownership is extensive as the result of a nationalization movement in 1971-75. (These facts are summarized in Appendix F, to which all references to tables in this section refer.)

Beginning in 1983, the GOM undertook a comprehensive effort at macroeconomic stabilization together with structural adjustment through economic liberalization. It was aided in this undertaking by its major donors, including the IMF, the World Bank, the African Development Bank, the Arab world, and AID, and given latitude to adjust by its private and official creditors, who agreed to the rescheduling of Morocco's debts conditioned on compliance with the terms of a standby Agreement from the IMF. It has acted cautiously, partly from conservatism of administrators unwilling to give up a command economy in favor of market forces subject to monopoly power, partly from lack of resolution of an internal debate over how and at what speed to introduce market forces, and partly from a desire to shield the poorer strata of society from the redistributive effects of price liberalization. A strong currency devaluation of 26 percent from 1982 to 1987 (see Table 1 in Appendix F) was accompanied by the beginning of the dismantling of

15

quantitative restrictions on many imports with a goal of complete elimination by 1989 (Tables 7,8,9), and the compression and reduction of the tariff structure (Tables 9,10).

The result -- fortuitously aided recently by two exceptional agricultural seasons after several bad years -- has been restrained domestic demand and increased exports. The currency depreciation also contributed to growth in tourism. Investment has responded to opportunities in relatively labor-intensive export-oriented sectors (Tables 11, 12) to provide more employment per unit of sales than traditional exports would have provided. The economy appears to be adjusting toward its international comparative advantage.

Advances have been uneven however, as nationalistic pressures have led to reversals on exchange rate depreciation and on tariff roll-backs in 1986-88; and as many local governments (under the Ministry of the Interior) continue to control retail prices which have been liberalized at the producer level by the national government. However, the pragmatism of political factions willing to advance the liberalization agenda when conditions are favorable has been useful: non-traditional exports have responded strongly to policy measures, growing 65 percent in volume and 35 percent in price from 1983 to 1987.

Government disengagement from the productive economy -- rationalization and privatization -- is occurring slowly. Minority holdings in sugar enterprises have been sold to the private sector. A conference (in which the long-term advisors for the Pricing Directorate Subproject participated in a significant way) laid the groundwork for parliamentary sessions concerning privatization. During the evaluation team's visit to Rabat in early November 1988 the enabling legislation for privatization of State Owned Enterprises was placed before the Parliament. The IFC is providing technical assistance to assist in the reactivation of the Casablanca Stock Exchange. In 1988 both water and electricity charges were increased (by 12 percent and 5 percent, respectively) under a program of tariff adjustments for the major public utilities to increase their self-financing of current costs and investment. Contract studies financed by the World Bank will clarify the financial relations between public enterprises and the GOM, the arrears of which on its payments to such enterprises have been transformed into 5-year amortization fund bonds.

Financial sector reform is proceeding more slowly. Most interest rates do not move from their legal limits due to lack of competition in banking, and 30 percent of deposits still must be invested in Treasury bills paying 4.25 percent. Since the banking system is temporarily over-liquid, neither the GOM nor private bankers object to this for the moment.

#### B. Donor Assistance-The IMF and World Bank

The 1983 IMF stabilization program attempted to reduce government expenditure and shift economic incentives toward trade. Under this program, the central government's overall deficit was more than halved from 11.4 percent of GDP in 1984 to 5.8 percent in 1986 and a targetted 4.8 percent in 1988, with the public investment budget absorbing most of the fiscal adjustment. The external account deficit fell to 2.5 percent of GDP in 1986 from 11 percent in 1984. The GOM has had

difficulties complying with the IMF targets and conditions: reduction in tariffs to liberalize trade conflict with reduction in deficit in the government budget and in the current account, and revenue shortfalls from the new value-added tax contributed to the government budget shortfall. The IMF has had to grant waivers on performance criteria and targets at several quarterly reviews. In negotiating the August 1988 request for Stand-by, the GOM noted that its budget restraint had been affected by: (a) wage negotiations with teachers exceeding the budgeted amount by DH 780 million (\$ 96 million); (b) price stabilization subsidies exceeding the budget by DH 890 million in spite of reductions in subsidized "national flour" production and quality which were already included in the budget (due to high import prices and a record cereals harvest to which the subsidy was applied); and (c) the cost of the locust emergency.

Most Moroccan external debt is to official lenders; since private debt sells at approximately a 45-50 percent discount to its face value, it appears that the private banks which accepted rescheduling of 1985-1988 repayments over ten years contingent upon the IMF standby have some uneasiness concerning the country's ability to repay. Their continued willingness to reschedule, however, has given the GOM some needed flexibility in its adjustment program.

In June 1987 Morocco acceded to the General Agreement on Tariffs and Trade (GATT), binding 157 tariff lines. This will lend stability to its trade policy, and will provide the GOM leverage both against domestic pressures to backslide on liberalization, and against OECD countries in bilateral trade negotiations.

The World Bank began its assistance to the structural adjustment process through sector loans. These include two Industrial and Trade Policy Loans supporting import liberalization, tariff reduction (ITPA I, 1984), export promotion and rationalization of public investments (ITPA II, 1985); two Agricultural Sector Adjustment Loans restructuring public investment in the sector and phasing out subsidies (ASAL I, 1985, and ASAL II, Nov. 1987); an Education Sector Reform Loan (1986) to improve the efficiency of education; and a Public Enterprise Rationalization Loan (PERL) in 1987. Building on this sectoral experience, in October 1988 a Structural Adjustment Loan was approved with a parallel but self-standing technical assistance loan under negotiation. It should be noted that in the past, IBRD loans from other departments have sometimes worked against this goal -- for instance, a loan to CNCA provided interest rate subsidies to farmers. The African Development Bank has provided \$150 million in support of agricultural structural adjustment.

### C. USAID Involvement in the Structural Adjustment Program

USAID Morocco supports the economic adjustment and stabilization program pursued by the GOM (CDSS, 1986). Given its limited resources and other components of its strategy, it must take a very selective approach to strategic interventions designed to assist GOM agencies charged with the responsibility for implementing the economic policy reform. In this vein, USAID cooperates with the World Bank and IMF, and has sometimes taken the lead with analysis of certain growth problems. USAID has also used its comparative advantage in grant financing to provide TA to implement, study and design trade reform policy measures. Policy assistance given to the Ministry of Energy and the Ministry of Agriculture has provided a complement

to IBRD financing by permitting the GOM to develop its position based on its better information than that available to Washington-based Bank staff. AID is providing PL 480 safety net assistance which will reach approximately one million people whose purchasing power and standard of living have been adversely affected by the structural changes brought about through the program of austerity, liberalization and policy reform. It is also providing technical assistance to an export guaranty program which, while not trade-neutral, may contribute to private sector confidence in GOM commitment to trade-oriented adjustment.

USAID Morocco has as its strategic sub-objective for 1987-1991 the support for reform of pricing policies, and reform of financial markets, with planned intervention in (a) reform of pricing policy, (b) financial markets and privatization, and (c) improvement of the GOM planning and budgeting processes.

The Economic Policy Analysis Support Project (608-0191) was conceived before the CDSS period but agrees with the objective of providing help to the GOM with which to develop in-house capability in analysis and policy implementation. This ability already existed in some Ministries and Directorates, while other agencies considered key to the process by USAID were seen to need technical assistance and further training of analysts and administrators as well as the support of office automation and computing ability to make an active contribution to the adjustment process. The Project Paper reported (p. 2) that key agencies acknowledge the need to cooperate rather than work in isolation, that linkages among different efforts are actively cultivated by the officials responsible, and that this orientation offers opportunities for pursuing a common strategic perspective across GOM departments. This is the point of departure for the project, as well as for the Pricing Directorate Subproject which was to be a part of the whole.

The project could do more than providing linkages within the government. From its position outside the GOM, AID cannot identify clearly the various voices within the domestic policy dialogue which it must distinguish if assistance is to support the advocates of liberalism against those of an inward-looking approach, or change the thinking of those who favor heavy distortions of the market as a means to protect domestic production or encourage exports. Besides its direct value to the adjustment process, project assistance can independently contribute to communication between the actors in reform and external donors who support the reform.

### III. REVIEW OF THE OVERALL ECONOMIC POLICY ANALYSIS SUPPORT PROJECT

#### A. Overall Project Goal and Purpose

The project is designed to contribute specific support to the Government of Morocco's (GOM) overall goal of making a successful transition to a more market oriented economic system. In order to accomplish this goal by a projected target in the early 1990s, the GOM has undertaken since 1983 a series of economic stabilization, reform, and structural adjustment efforts. In order to plan and make decisions on effective courses of action needed for the continuing evolution of economic reform, the GOM must obtain adequate and timely information on current economic conditions and the likely consequences of alternative action choices.

In 1985, the GOM, recognizing the need for increasing its capacity for economic policy analysis and implementation, entered into an agreement with USAID Morocco through which AID would assist various units of the GOM to build up their capabilities in these areas of intervention. This project has as its purpose to improve the institutional capabilities of GOM agencies in economic policy development, appraisal, and management.

The method chosen to accomplish this purpose is support for a number of subprojects in the GOM agencies most responsible for economic policy analysis and implementation of structural adjustment and economic reform. Such subprojects are to be tailored to the specific tasks and responsibilities of the GOM agencies undertaking the subprojects as they contribute to the goal and purpose of the overall project.

#### B. Subproject Selection Process

The GOM and USAID agreed in Project Agreement No. 608-0191, dated 31 August 1985 (PROAG), to a process for selection of subprojects to carry out the overall purpose of the project. The criteria agreed upon for selecting subprojects for funding are reproduced as Appendix G to this report. They appear in Section I, B., of Annex I of the PROAG.

These selection criteria were adopted by both parties to insure that the subprojects would focus on activities clearly addressing the project goal and purpose: (a) improving the economic policy informational and analytical capabilities of the GOM institutions implementing the subprojects, with emphasis on the use of information processing and modern analytical tools to influence and support policy decisions, rather than understanding and describing historical trends; (b) supporting improved efficiency in GOM institutions managing economic functions directly related to economic policy reforms (e.g., planning, budgeting, pricing); (c) emphasizing increased market orientation, private sector ownership and management of productive assets; (d) having a lasting impact on the capabilities of participating GOM institutions to understand and develop economic policy and on the promotion of linkages with other GOM agencies which participate in GOM policy formulation and implementation; and (e) fulfilling specific criteria involving eligibility for AID financing, GOM financial and resource contributions, time frames and compatibility with AID internal requirements for project approval.

The instrument adopted to document agreement on a specific subproject is a Memorandum of Understanding (MOU) signed with the Ministry to which subproject assistance is to be provided. A copy of the MOU authorizing the single subproject so far agreed to is included as Appendix D to this report. The MOU format spells out in detail the subproject objectives, their relation to the overall project goal and purpose; the specific contributions of the agreeing parties in terms of equipment, tasks and funding; and describes, where applicable, the manner in which the contributor's tasks will be carried out (e.g., USAID to contract directly for technical assistance, equipment purchases, evaluation services, etc.)

### C. Administration of the Overall Project

#### (1) History of Project Development

In late 1984, the current Chief of Party of the team of long-term advisors from the prime contractor, Harvard Institute for International Development (HIID), Clive Gray, was a consultant to USAID for the purpose of assisting the AID mission in exploring possible technical assistance to the GOM in economic policy analysis. Mr. Gray along with USAID officials, interviewed GOM ministers and/or senior officials in four Ministries (Economic Affairs, Finance, Plan, and Commerce and Industry) to explore their possible need and interest in this type of collaboration with USAID.

Among those interviewed, only the then Minister of Economic Affairs, M. Taib Bencheikh, expressed interest in obtaining technical assistance in the area of economic policy analysis. In view of the importance and central role of prices in analyzing economic issues, Minister Bencheikh proposed that a project be developed and located in the Pricing Directorate (DP) of his ministry. His vision was to transform this unit from its traditional role of analyzing costs of production for the purpose of establishing price controls to one of becoming an advisory body for the Prime Minister, with a role of studying prices as indicators of market phenomena in order to give policy-makers a more accurate idea of the consequences throughout the economy of alternative actions -- all this in the context of the GOM's ongoing economic reform and structural adjustment efforts.

At that time (late 1984/early 1985), the Director of DP was Mr. Omar Bahraoui who had similar ideas to those of Minister Bencheikh regarding the role DP might play in economic policy support analysis, and who was heavily involved with USAID in working out the details of the project, particularly the assistance to DP. Mr. Bahraoui left DP to move to the Ministry of Plan as Director of Planning in early 1986.

USAID agreed with the Minister's proposal for technical assistance to DP and began the development of an initial phase of a project with the title, Economic Policy Analysis Support Project, designed to improve the economic analysis capabilities of DP.

In April of 1985, before the project had been formally agreed to, Minister Bencheikh left MAE and was appointed Minister of Health, and Mr. Moulay Zine Zahidi was appointed Minister of Economic Affairs. The initial phase of the project continued to be developed and on 22 July 1985 a Limited Scope Project Agreement was signed by Minister Zahidi which provided funds for the purchase, installation and

introductory training in the use of computers and relevant software packages. The Limited Scope Agreement stated as its objective "to enhance the economic analysis capabilities of the DP through automated data processing relying on microcomputer technology." At this point, assistance to DP in essence became the project, not a subproject of a greater scope project.

However, a greater scope for the overall project -- to provide assistance to several GOM units in several ministries -- was being developed by USAID. A little over a month after the Phase I agreement was signed, the Project Agreement covering the broader scope of USAID/GOM assistance collaboration was signed by Minister Zahidi on 31 August 1985. This agreement specified that the project would be implemented through a number of separate subprojects which would assist the GOM in achieving its economic policy reform and structural adjustment goals by strengthening the economic policy analysis and appraisal capacity in various GOM units.

## (2) Implementation of the Overall Project

Although the umbrella project, as indicated above, envisaged a series of subproject interventions with GOM units in several ministries, only one subproject has been agreed to and is being implemented: the Pricing Policy Subproject with DP. The team's findings regarding the Pricing Policy Subproject are dealt with in Section IV below. The accomplishment of the project's goals by the one subproject which has been implemented are discussed in Section IV, C.

Annex I of the August 1985 Project Agreement contains an illustrative list of possible subprojects. Besides Pricing Policy, four additional possibilities were on the illustrative list: (1) supporting a National Training Program in Project Appraisal and Management (PNAP); (2) streamlining and prioritizing the planning and budgeting process for the GOM's capital budget (Ministries of Finance and Plan); (3) supporting the development, application and analysis of macro-economic data series in the Directorate of Statistics (Ministry of Plan); and (4) helping GOM agencies responsible for state-owned enterprises to identify and exploit opportunities for economic reforms related to movement toward a more market-oriented economy, including increasing private sector participation.

The umbrella project has now existed for a little over three years, with a completion date (PACD) of 30 September 1990, two years from this evaluation. Among the intended components of the project, the Pricing Policy Subproject is proceeding to achieve the purposes of the project. No other illustrative subprojects have come to fruition, and no other implementable subprojects have been proposed by the GOM for funding under the umbrella. Of the USAID contribution of \$8.6 million projected in the project agreement, only \$2.57 million has been obligated for carrying out the purposes of the agreement.

The potential subproject to support the National Program for Project Appraisal (PNAP) did receive support from USAID Morocco through an umbrella training project (608-0178), but was not developed into a subproject because PNAP would not commit itself to national project selection standards; USAID Morocco felt this was indispensable for serious application of project appraisal standards.

During its interviews with GOM and USAID officials, the evaluation team tried to find out why other subprojects proposed initially or proposed subsequently have not been implemented. The findings suggest differences in macro and ministerial policy priorities, lack of full understanding between AID and GOM agencies, and difficulties with the weight and detail required when applying AID procedures.

On the policy level, the GOM official development priorities give a secondary, accommodating role to structural adjustment measures. Its stated priorities presented to the Consultative Group in April 1987 are: (1) rural development and food self-sufficiency; (2) promotion of small and medium enterprises as sources of employment; and (3) education and training. Balanced development of other sectors is called for to the extent that they support and/or build upon the above priorities. A fourth development objective is stated as decentralization of the budget, planning and political decision-making. Therefore, on the policy level the focus of the AID project on economic reform and structural adjustment is secondary to the main development priorities.

On the technical level, the evaluation team bases its findings on meetings with the Budget Directorate (MOF), the State Enterprise and Ownership Directorate (DEPP, MOF), and the Central Bank Training Division, all of which had candidates for subprojects which did not come to fruition; with the Treasury and Foreign Debt Directorate (MOF), the Planning Division (Ministry of Plan), the Minister of Health, and the Vegetable Production Division (MARA), which have possible subproject proposals; and with the Directorate of Planning (MOF) and the Directorate of Economic and Financial Projections (Ministry of Plan) which work with the DP Subproject.

### (3) Overall Project Findings

The evaluation team's findings are, first, the project goal, where known, has been generally appreciated. Several discussants expressed frustration that subproject proposals have not worked out. The principal perceptions on the part of the Moroccans have been: (1) a lack of understanding on both sides of the other's programming modalities and structures; (2) an inappropriate level or unit of entree into the counterpart agency on the part of AID, given the proposed intervention (that is, an attempt to propose policy reform with an implementation agency); and (3) a lack of clarity on the distinction between formal and informal negotiations which is common among Americans but less so elsewhere, leading to missed signals. Some proposals are not made to AID because AID's selection and appraisal criteria are not understood. Two examples will illustrate these points. A needs analysis performed for the DEPP appears to have been interpreted by DEPP management as a pre-bid proposal to offer computer equipment in competition with other potential donors, rather than as a policy project with computerization component. A preliminary discussion concerning training in market-based monetary policy implementation, between the Mission Director and the Governor of the Bank al Maghrib, was immediately delegated for development down a chain to the training department of the highly-compartmentalized bank; USAID staff attempted to use this inappropriate entree to negotiate with makers of monetary policy, rather than recommending the process -- with explanation -- at the top level. In both these cases it is the team's belief that the Moroccan negotiators considered the subproject development process to be merely informal dialogue on the part of

colleagues, rather than part of a process of joint development of a proposal; the BAM draft proposal was never passed to Bank management for consideration for this reason.

Second, the subprojects as a group may not accomplish the project goal. The existing subproject may be a success as a training and institution-building activity (Section IV.C below), and the attraction of the subproject modules for the Moroccans interviewed lies largely here. However, there is less evidence of a significant contribution toward the improved economic policy design and implementation, the overall goal of the project.

Third, the DP Subproject has become confused with the overall Economic Analysis Support Project in the minds of members of other Ministries. The outreach of the HIID advisors may be partially responsible for this, due to their identification with MAE. The MAE is a small ministry which can be more flexible and accommodating to fulfill AID requirements than can a larger and more bureaucratic ministry; additionally, the relatively small size of the illustrative subprojects may be more important to the MAE in comparison to its total budget. Finally, the fact that the MAE is the cooperating agency with the USG means that it understands AID programming modalities and is more prepared to adapt to them for small amounts than are other ministries. Other ministries have called the subproject design process a waste of their staff time and effort when they have more important things to do; they do not, however, find AID procedures, though rigid and overdetailed, any worse than their own, but just different. The team did not receive any comments on AID procedures as compared with those of other donors.

Fourth, the team could identify fewer possible policy interventions for subprojects than were originally thought to exist. During two weeks in Rabat all avenues could not be explored. However, the team found some useful areas where extra resources are not the constraint to improvement in policy performance (such as the Cellule de la Prevision, Ministry of Finance). In other areas, other donors have a comparative advantage in that their assistance has been more appropriate (the French for accounting and budgeting systems and software) or more flexible and rapid (the Canadians for public enterprise rationalization and privatization) than AID has been able to offer.

The team found positive responses to the question of appropriate assistance in the Planning Directorate of the Ministry of Plan, in the Treasury and Public Debt Directorate of the Ministry of Finance, the Agricultural and Food Industry Division of the Ministry of Commerce and Industry, and in the Ministry of Health. They also found a perceived need for assistance to the Cellule de la Prevision, Ministry of Finance. The team also investigated the need for computerization and assistance to the Vegetable Production Directorate of the Ministry of Agriculture and Agrarian Reform, but did not find that it would address project objectives as required in the selection criteria. Specific findings below are only indicative, and will require further follow-up by USAID Morocco.

The Treasury Directorate sees an important need for financial and monetary policy studies for which it is unable to provide staff but which it wants to master for its work with external donors. It would like to have a management audit and evaluation, and technical assistance in creating a rapid response system for consultants on short-term studies. It foresees a need for training and studies along a model such as that of the DP subproject, for financial sector consultants of international standing, and for medium-term resident technical assistance.

The Planning Directorate of the Ministry of Plan has requested assistance of both the World Bank and AID for training and studies. This directorate is already well staffed and equipped. It seeks specialized technical assistance and the means to perform several studies. An indicative list includes: (1) determination of international reference prices; (2) investment incentives; and (3) modification of macro-economic policy tools required after the structural adjustment program has influenced economic policy. It also seeks related training through local specialized seminars and short-term training abroad.

The Ministry of Commerce and Industry has requested assistance for the work program of its Agricultural and Food Industry Division to assist the Ministry in establishing policy in industrial promotion (including investment incentives and studying margins and effective protection in sectors which are still regulated). The subproject would serve to improve communication and data exchange with the Ministries of Agriculture and Economic Affairs in order to improve price policy and provision of basic needs. The request is for training in project development and in industrial policy, especially the calculation of effective protection and domestic resource costs. They foresee using the existing DP subproject for local training, augmented by training courses abroad.

The Bank al Maghrib, despite problems discussed above, continues to see a useful role for AID training and short-term assistance in helping it adapt to the modern financial environment. The evaluation team believes that any future negotiation must begin again at the highest levels of the Mission and the Bank, and only deal with delegated authority at the implementation level.

The Minister of Health, Mr. Bencheikh desires to set up an economic analysis unit in his Ministry to analyze prices and production costs of pharmaceuticals, so that pricing negotiations with multinational firms would be based on cost information and not "bazaar haggling," as he put it. The Minister said he would recruit one or two economists to set up such a unit and would like to acquire technical assistance in analytical techniques to use computer equipment and appropriate software.

The evaluation team supports a proposal by USAID Morocco for a subproject to provide short-term assistance for policy measures and possible professional identification of other subprojects. In spite of the Mission's encouragement of the use of project resources by other GOM units to enhance their economic policy analysis capabilities, units other than DP have not requested assistance which would use project resources. The subproject tentatively under consideration by USAID for GOM agreement would finance small interventions such as short-term economic studies, short-term technical assistance and necessary equipment. This subproject would provide the means to respond to needs of various GOM units concerned with economic reform and structural adjustment with a speed and flexibility difficult to obtain through the USAID subproject MOU process. The underlying idea is first, to meet short-term needs of various GOM units in project purpose areas without the requirement for full-blown development of a subproject (i.e., MOU process), and second, that some short-term studies and TA might lead the way to one or more longer term fully developed subprojects.

Having looked at the overall project above, below is a review of the DP subproject.

#### IV. REVIEW OF THE PRICING POLICY SUBPROJECT

##### A. Purpose

Pricing policy is a key factor in the implementation of economic reform. Widespread deregulation of prices of goods and services and the requirement for constant reexamination of the determinants of prices that remain regulated (e.g., utilities) has promoted the evolution of the responsibilities of the Price Directorate from its traditional role of preparing recommendations for price setting to that concerned with monitoring and interpreting price changes and trends, and analyzing the consequences of pricing policy options.

The DP has three major roles under structural adjustment. First, it designs and implements price liberalization on a commodity or service basis. Second, it regulates the tariffs on commodities which continue to be controlled, which will eventually be restricted to public utilities. Third, as a constraint on its pricing liberty, it must continue to assure the availability of sufficient supplies of basic products at the national and local level. Under its new role, it has wider potential contributions, including analyzing the effects of liberalization on different sectors, dissemination of research findings, and -- based on this new expertise -- acting as advocate for liberalization within the GOM's policy debate. The DP presides over several monitoring committees to oversee the work of the consultants under the Public Enterprise Restructuring Loan (PERL), affecting its traditional role of regulating the tariffs of public utilities.

The purpose of the Pricing Policy Subproject is to enhance DP's analytical capabilities through use of microcomputers and appropriate software, provision of technical assistance of experts in analysis, reporting and implementation of economic policy, and short-term training and study in Morocco and abroad for DP staff. The upgrading of DP capabilities will allow it to contribute significantly to the price liberalization and structural adjustment process in its new role.

Finding: To the extent that the subproject did not provide funding for long-term, post-graduate training abroad for existing staff, and did not receive a written commitment from the Minister that additional, better-trained and more experienced staff would be hired to inject the new tasks into an established unit before the arrival of the advisors, the original project design was flawed. The objective of upgrading the DP to lead it (as opposed to "allow it") to contribute to the liberalization and structural adjustment was simply unattainable.

An overly limited view of the needs for DP to become an effective policy design and implementation body was reflected in the MOU, which makes no provision for local management training, but limits training to "specific policy issues."

##### B. Subproject Inputs

Because of the short time allowed for evaluating the project, the evaluation team made a conscious decision to concentrate on the substantive aspects of the project (purposes, outputs, accomplishments) rather than spending the hours it would take to deal in precise, quantitative terms with project inputs. We have

25

treated them by category and provided as much detail as was readily available to us. Concerning project outputs, the team did not devote a great amount of effort to determining the performance of DP in its traditional role as supervisor of adequate supplies of basic products but consider that to be a residual after their role as price liberalizer or controller. It is our interpretation of the contract scope of work that the emphasis on substantive questions is the focus desired by project management.

#### (1) Equipment and Supplies

The project has to date purchased 6 micro computers, 5 printers, a copy machine, 2 backup tape disk machines and a text scanner; software programs and manuals (word processing, data base, spreadsheet, statistical and numeric methods, graphics, utilities, programming language, disk and data management and tutorials), and an initial supply of printer and photocopy paper, ribbons, fluids, etc., Appendix H presents a list of equipment and software funded so far by the project.

#### (2) Technical Assistance

AID entered into a contract (effective 30 August 1986) with the Harvard Institute for International Development (HIID) for the provision of technical assistance and training support services for the Pricing Directorate. The contract covers costs of an estimated level of effort involving 2 resident advisors (Clive Gray (Chief of Party) and Alfred Saulniers) for 36 months each, 7 person-months of other HIID consultants, 36 months of consulting services of Moroccan experts, 15 person-months of experts to be provided through a subcontract with Associates for International Resources and Development (AIRD), and related overhead and backstopping by Harvard University.

The two resident advisors have been in Rabat since September 1986 and have done an excellent job of organizing and providing appropriate training and advisory services to DP. The Director of HIID, Mr. Dwight Perkins, has visited Rabat on two separate occasions consulting on contract progress and, problems since the initiation of the contract. And through the HIID contract, 3 University of Rabat professors have been hired and have produced 10 sectoral studies on industry performance and price determination following decontrol of prices.

Regarding the AIRD subcontract with HIID, the only use of this resource to date is currently underway: the utilization of AIRD's president, Dirck Stryker, who is conducting research for a planned consumption modelling seminar in Rabat in December 1988, and he will help coordinate the seminar program as a whole.

#### (3) English Language Training

English language training for DP staff is made available at the American Language Center in Rabat.

#### (4) Ministry of Economic Affairs (MAE) Inputs

The MAE has provided in-kind support for the subproject in terms of the salaries of DP personnel; office space for the HIID resident team; office supplies and maintenance of computer and copy equipment; and is committed to covering the

cost of international travel for training outside Morocco. With regard to maintenance of equipment, delays in arranging for maintenance and repair of the computers and copy machine was at one time affecting substantive project progress. To avoid serious delays in project work in DP, the HIID contract has assumed the cost of repair of the photocopy machine and some maintenance services for the computers, even though such support is understood to be the responsibility of the MAE.

### C. Subproject Outputs

The equipment (computers, printers, copier) and software are in place and functioning. DP professional and clerical staff have been trained in the basics of computer use, and the professional staff have been, and continue to be, trained by the HIID resident advisors in the analytical concepts, processes and use of data processing, statistical and other software programs. The HIID team presents weekly seminars on microeconomics (Gray) and on Quantitative Methods of Analysis (Saulniers) which are attended also by personnel from the Ministries of Plan, Finance, and Commerce and Industry. The introduction of word processing, data processing and analytical programs have made a significant change in the approach and methods by which the DP staff does its work. The computer equipment and software programs, on the one hand, have generated considerable interest and stimulated DP staff to learn how to use them. Further, the introduction and training of data processing, presentation and analytical programs have taken the DP staff beyond basic curiosity and acquisition of basic computer use skills. The DP staff is being exposed to programs that link the effects of prices to several factors affecting the economic structure, well beyond the simple traditional practice of calculating material and production costs to come up with recommended prices.

The method of on-the-job training and the development of a "computer center" rather than isolated work stations has created a team-oriented work environment rather than the isolated attention to individual portfolios, or dossiers, practiced before the subproject was implemented. These views were expressed by the DP staff in interviews. It was also commented upon by businessmen who deal with DP; and it was witnessed by the team in DP's response to a "crises issue" raised during our visit (discussed below).

The HIID team has provided very appropriate and effective training and advice called for in its scope of work. Gray and Saulniers have also introduced "dinner debates" at their homes which have brought individuals from throughout the GOM's analytical apparatus to listen to and debate with short-term visiting experts from the U.S., France, and other countries.

English language capability of the DP staff has not progressed to the degree that the staff can deal professionally (speaking and writing) in English. Appendix I includes the information given to the team by DP and shows the current proficiency of the staff. It shows that only two of the staff (the Director and Mr. Kerfali) are at a level where technical training provided in the English language could be contemplated without a considerable amount of intensive training in English. The ratings of current level shown in Appendix I are based on testing at the American Language Center in Rabat. One very recently recruited member of DP, Mr. Mouncif, is just beginning English language instruction. All DP staff are

participating variously in the language training offered (1 1/2 hours twice a week). The English language training was financed up until October 1988 by AID through its Sector Training Project (608-0178). Funding for this language training is now covered under the HIID contract.

With regard to the subproject objective of transforming the major work of DP from accounting analysis for fixing prices to economic policy analysis, the educational background and experience of the DP staff limit the attainment of that objective. Among the current staff, only one member has studied at the graduate level in economics. Three have undergraduate economics in their background while the rest of the staff have degrees variously in business administration, accounting, management, and law.

Numerous areas of competence discussed in the project documentation must be developed within the DP to achieve the transformation of DP's functions from price setting to pricing policy analysis. These include, among others, capabilities in:

- assessing the impact of current and proposed pricing policies on the Moroccan economy;
- weighing the advantages/disadvantages of free market vs. regulated domestic prices;
- assessing the need for competition and anti-trust laws that will ensure a competitive environment;
- analyzing market changes as a result of price decontrol;
- preparing sectoral and macroanalyses as well as product-specific analysis; and
- preparing analytical studies that form conclusions and recommend policy changes on national economic issues.

All of the above applications require the disciplines practiced by economists. The collegial nature of DP work makes it impossible for the evaluation team to make an assessment of individual capabilities in the area of economic analysis, but from discussions with DP staff members and reviewing a sampling of reports and studies prepared by them (see Appendix K), we believe the background and sophistication required for such indepth economic analysis is not within the joint capabilities of the current DP staff.

During its review, the team was able to observe DP in action in response to a national economic issue brought before the Council of Ministers. Although the proposal to which the DP responded was an internal political one to which the team did not have access, we understand that the Minister of Agriculture had made a proposal which was designed to protect the income to Moroccan farmers through a series of protective measures against the vagaries of weather, imports, domestic price fluctuations, etc. The ramifications of such measures for producers and consumers, on the economy, in general; on the government budget; and on prices, in particular, needed to be analyzed to understand the consequences if the proposed measures were adopted as GOM policy.

The DP staff, with assistance from one of the advisors, performed analyses of the possible impact of the agriculture proposal on prices, budget and other economic factors, briefed the Minister of Economic Affairs on the results of DP analyses, and prepared a summary memorandum of findings and recommendations for the Minister to present to the meeting of the Council of Ministers; the DP Director accompanied the Minister to the Council as a technical advisor. Another Minister present at the meeting told the team that the presentation, at which the Minister of Economic Affairs successfully described himself as the only one present representing the producers, the consumers, and the treasury, was objective and of excellent quality.

The team was also told by interviewees outside DP, who have regular contact with DP on pricing issues, that they had noticed a change in the approach DP staff took in discussions of pricing issues to the effect that DP now takes a broader, more analytic approach to price issues. The essential point being made was that the project had helped the DP staff to undertake its work more "professionally" than in the past.

The team found that the morale of the DP staff was generally good after a period of uncertainty, turnover and poor morale. The staff seems to feel, by-and-large, that its work is important. The work environment was described as collaborative, "en famille." The acquisition of computers and the training provided by the advisors have been a morale booster for the staff. They feel the computer capability and the assignment of the Harvard team has upgraded DP's status within the Ministry and in other parts of the GOM. Without exception, the DP staff had deep respect for the competence and work of the HIID advisors.

Concerning staff motivation and its effect on achieving the objective of upgrading staff capabilities, there is little, if any, monetary or official recognition for accomplishments in training. Salary inducements, bonuses, etc. may not be practiced in Morocco. The team suspects, however, that there may exist local forms of recognition of accomplishment and other psychic rewards. At any rate, the team found that the DP staff has high interest and constantly good attendance at training programs provided by the advisors. According to the trainers, DP staff have responded best when material covered and training exercises could be used immediately to improve their daily tasks (e.g., spreadsheet and graphic analysis), or where they felt topics covered would help them make an advance in their policy analysis capability (e.g., estimating demand functions for cereals, edible oils, sugar).

In a debriefing meeting with the evaluation team before its departure, the DP cadres noted that the evaluation had not discussed the effort by the DP to encourage the laws of the marketplace rather than administered prices in guiding production, consumption, and incentives to investment. This was not an oversight, but was the result of the difficulty of determining the actual role (as compared to the stated role in interviews) of the local governments, technical ministries, and especially the Ministry of the Interior. The evidence for this effort was not found in the accomplishments of the DP, but in its declaration of interest for future work. The team cannot evaluate work which has been identified but not performed. However, this point has been noted by the team, which approves of the DP's new direction.

## V. CONCLUSIONS AND RECOMMENDATIONS

### A. The Overall Economic Policy Analysis Support Project

The evaluation team interviewed some 46 individuals (see Appendix J) and reviewed a wide range of project-related documents (see Appendix K). The team had excellent discussions with Mission personnel, the HIID team members, and staff from the DP. Just as important from the standpoint of the overall project were the meetings with other ministries, the Central Bank, and private businesses. In these encounters we sought to understand better the dynamics of the overall project, and why it failed to produce more than one subproject.

The inquiry strengthened the team's experience-born conviction that policy dialogue projects are among the most difficult for a donor agency like AID to implement. The project was premised on several ideas that did not prove valid. The first is that the GOM strongly desired the kind of economic analysis strengthening that the project aims to provide. While the GOM may need such improvements, some agents do not appreciate the contribution of economic analysis, and the GOM has placed other development goals ahead of economic reform. Moreover, even if the GOM had been keen for change, the willingness of important actors to let Americans play crucial roles in the very sensitive areas of economic policy seems somewhat doubtful.

Second, the project design that placed the project within the Ministry of Economic Affairs was implicitly betting on the interest and dynamism of high-ranking officials who are no longer in the MAE. Ultimately, the MAE did not have the power or influence to spread project benefits throughout the government.

Conclusions: The result is an Economic Policy Analysis Support Project that is expressed in only one subproject. No other subprojects have been concluded, although a Short-Term Studies Project is under consideration. On its own terms, as expressed in the project documentation, the project has not succeeded. That is too simplistic, however, because its single subproject has in effect become the project, and the team believes that on balance it has had positive effects.

Recommendations: USAID should be prepared to provide resources to the GOM for a range of short-term studies. The "outreach" effort of the two advisors, discussed above, should be related to this process in a formal manner. Out of the experience of those studies may come a new subproject that will merit project funding. If so, the Mission may wish to extend the present 1990 PACD by a year or two in order to accommodate the new subproject. If nothing works out and there is no need to extend the life of the Pricing Policy Subproject, the project should be allowed to lapse.

## B. Subproject, Goals Being Accomplished

### (1) Training

#### a. Training needs for new role of DP, economic analysis.

The new skills needed by the DP in its emerging role can be obtained in two ways. The first is to buy them, through use of outside consultants or recruitment of new DP staff with the required skills, or both. The second is to train the existing staff of the DP. The two are not substitutes, either in the capacity developed or in the administrative implementation; the DP needs both. The project provides for both. In a later section we discuss the project's use of university consultants to perform short-term sector studies, and the need for recruitment. This section provides recommendations concerning training.

Finding: Mr. Mostafa Faik rose through internal promotion from the ranks of the cadres, and has been going through the normal adjustment process of transferring his technical skills to his new management role. He will remain as management, and not as a technician and must delegate responsibility to his staff, with proper feedback and support. The DP staff is called upon to plan and run meetings, represent DP on several interministerial committees as chairperson or participant, and, of course, manage its own time productively.

Conclusion: The management capabilities of the entire DP staff needs upgrading. The new, participatory, teamwork-oriented DP needs specific management techniques.

Recommendation: Mr. Faik should receive management training under the subproject tailored to his personal needs in order to make the Directorate operate as an effective unit of economic advice to the Minister and the Government. Mr. Faik sees the need for this, and raised the question with the team. The rest of the DP staff would benefit and the Directorate's performance improve as a whole from basic management training in planning and chairing meetings and individual time management techniques. The team recommends that all DP staff be given this basic management training. Improvement in management skills among the staff could also lead to more delegation of authority within the organization -- a step in management we also recommend.

#### b. On-the-job training

Findings: The HIID advisors have delivered the training provided in their contract. Mr. Saulniers' statistics course, based on his University of Texas course, has been very effective, to the point where it draws participants from outside the DP. He uses computers to reinforce statistical techniques, a technique which cannot be replicated in a classroom setting, particularly a traditional one using lecture and rote learning. Mr. Gray's microeconomic course, using his HIID course as a model, is also very effective. It is particularly important to DP, since DP lacks economists for a task which is essentially an economic discipline. This course also uses the computer to reinforce microeconomic techniques. This emphasis on applied, practical economics, fits DP's needs.

The team notes that at least one staff member is not using or applying the new skills, even to his old work; the possibility was raised that he does not intend to stay at this job. This was not the focus of our evaluation, so we provide neither a conclusion nor a recommendation other than that this should be investigated further by DP.

Staff turnover has required extra effort of the advisors to bring new staff up to the level of the others. This has been provided by the advisors despite its cost in time lost to other activities, and is commendable. The results for recipients of this training appear to justify the effort to upgrade their skills rapidly.

Lacking evidence, the evaluators can only wonder what would be the result if HIID team could work with those who already have more of an economics background.

Conclusions: AID expectations for training of an advanced economic policy unit were not realistic, given the distribution of staff capabilities in the DP. The technical and theoretical training courses offered by Messrs. Gray and Saulniers have been appropriate to the development of the DP as a unit of analysis, given the background and existing training of the DP staff. However, the yield in terms of policy analysis would be far higher if seminars could be "graduate/professional" level rather than basic. This would require additional (or different) staff which the MAE has not provided for through staff transfers or special recruitment.

Recommendations: The team recommends that if at least two professional economists are added to the staff of the DP (see recommendation under Topic H, below), that Messrs. Gray and Saulniers teach a higher-level course. Other ministries and directorates may wish -- and should be encouraged -- to use this as a vehicle for advanced training of their economists.

The team further recommends that the DP solicit such outside participation. In this way it will partially fulfill its role in the liberalization process; it will also extend and institutionalize the network of economists which has been established by the advisors, while maintaining its key role in the process. Its current resistance to such outside participation impedes the achievement of project objectives and its own objectives.

The training opportunities which have been lost, and the unrealistic original expectations for the subproject on the part of USAID, lead us to endorse the "outreach" model currently undertaken by the advisors as superior to formal training activities which would be subject to the vagaries caused by change of counterpart at the Ministerial or Director level.

c. Overseas training

Findings: The amount of overseas training under the subproject is considerably less than that originally targeted. Among the cadres of the DP there was some belief that the HIID advisors were being capricious in denying training on the basis of either language or technical ability. USAID programming rigidity and accords were not seen to be a problem.

Some relevant overseas training has been performed with other donor funding, under the initiative of the subproject. This can be considered a "leveraging" of AID resources rather than a failure to disburse project funds.

Conclusions: There is no evidence that the HIID team is being capricious in denying US training based on level of English. Some DP staff are advancing, but have not yet passed a threshold where English-taught training could be effective. The DP training opportunities lists are incomplete, in the course offering in the U.S. and elsewhere, which are appropriate to the level of technical skills and English language of the DP staff.

The basic constraint to training remains the ability of the individual staff members to benefit from it. Language, motivation, and the ability to bring skills back to the new DP role are all important constraints. HIID appears to have judged the first of these well. The evaluators could not, in less than two weeks as outsiders, obtain a conclusive feel for the second. We feel HIID was over-strict on its interpretation of the last constraint, but endorse the advisors' criteria for individual qualification for overseas training.

Recommendations: The DP must work out its training needs clearly to permit design of personal and DP staff development programs, and to design such a program with Minister Zahidi's approval so that newly trained staff will continue to contribute to DP rather than be rotated elsewhere. HIID/Cambridge has a training department which could do a more complete and more relevant search, which should be used to develop a training opportunities list.

Once this is done, the HIID advisors are encouraged to re-appraise their evaluation procedures concerning individuals' ability to profit professionally from overseas training courses.

## (2) English Language Training

Findings: English language training classes at the American Language Center in Rabat have been available and all DP staff have participated in varying degrees. The courses offered are general rather than relevant professional English, and involve two weekly sessions for a total of 3 hours. Progress has been slow. Individuals must fit the study into a full work load and family responsibilities, and there is little opportunity in daily duties to speak English. Based on testing at the American Language Center, Director Faik and Mr. Kerfall of the DP staff have achieved a level of English proficiency that would allow them to benefit from training given in English. Mr. Bouselham has good conversational English and believes that he will test at the required proficiency level in his next cycle of examinations.

Conclusions: English language training is required and important for the professional development of DP staff. To be effective in meeting the professional needs of DP staff, the language training should be tailored to provide professional comprehension rather than general conversational English. In order to move the DP staff toward a professional comprehension objective, the team believes English training tailored to DP professional needs should be provided as part of the training component which is already included in the HIID contract.

**Recommendations:** An English language training course be developed, specifically tailored to DP needs, and given in-house. It is also recommended that this training be given at least one hour daily, and that official time be allotted, preferably each morning, for the language training.

### (3) HIID and Policy Advice

The contribution of the HIID advisors to long-term economic policy, or lack of it, has been a source of some frustration to AID. The evaluation team believes that part of the reason for this lies in bureaucratic caution, a conviction that price policy is clearly related to politics, the domain of politicians.

The HIID team comes from successful advisory roles in other countries, so is aware of these sensibilities and has worked directly with politicians discreetly and successfully. The evaluation team has no doubt that they are capable of so doing in Morocco, if given the opportunity.

The intended objective of the original subproject as understood by Mr. Gray with Minister Bencheikh and Mr. Bahraoui was to develop skills of an advisory unit to the Prime Minister; this has not occurred and has not been sought. The subproject MOU does not mention this objective.

The objective discussed in the MOU addresses liberalization of the economy. Liberalization brings general benefits to the economy; that is, diffuse benefits to consumers and producers. Controls bring benefits to particular parties who command resources (economic rents) because of these controls. The weapon of economic analysis is in helping policy-makers to understand the economic effects of policies. The evaluation team finds that the subproject is successful at this.

This success is severely constrained by the inability or unwillingness of the DP to communicate with Minister Zahidi or other policy members of the GOM. As the DP's comment on the team's draft states, "it appears that because of the rather theoretical training and the little mastery of Moroccan economic problems, the conclusions and advice presented have little relevance for decision-makers." Having looked at the written output by both the staff and the advisors to the DP, and having interviewed the DP cadres about the content and value of the training courses, the evaluation team (which itself may have little mastery of Moroccan political problems, but is competent to review the country's economic problems) can only conclude that this comment is a clear statement of rebuttal by the current DP to the role which previous DP management, AID, and the advisors claim for it.

This may be partly a result of the Moroccan interpretation of the MOU, discussed elsewhere. However, in the same commentary, the DP states that "the Minister of Economic Affairs has a role more of coordination than of technical research." If this is so, the subproject makes no contribution to the goals of the project and should not have been undertaken.

Concerning DP capacity to undertake such research, this is a question of its ability to use the analytical tools provided by the subproject, including domestic resource cost analysis, the effects of tariffs and exchange rates on exports or

other economic variables, and the estimation of demand functions for the products in their dossiers. The DP comments on the team's draft report notes that the DP "continues to manage dossiers on prices and price control, but in parallel has performed evaluation studies concerning subsidized products, tariffs for public services and petroleum products, and an indepth study of the liberalization policy." The team finds that the DP is beginning to use, albeit in a limited and uneven fashion according to personal interests, the analytical tools necessary for such work.

Can the HIID advisors have a direct role in providing economic policy advice? Minister Zahidi is not taking full benefit of the expertise which is available to him. We respect the capability and experience available in the team, but how to make better use of this advisory resource in the GOM setting was not evident to the evaluation team.

The evaluation team found that differing perceptions concerning the understanding on the subproject may have affected the expectations of the three parties. All parties are agreed on the training and computerization components, on which there is also agreement as to the success of the subproject. The parties differ on the policy component.

First, the two Ministers' understanding of the policy role of the subproject differs (as noted above). Minister Bencheikh perceived of it as training plus active policy intervention. Minister Zahidi perceives of it as training with production of options papers to "illuminate" decision-making by Ministers.

More generally, however, everyone's understanding of what policy role the subproject should have is affected by the language of the text. The evaluation team found that the English and French texts of MOU ("convention") differ, and this difference concerns the rate and extent of the subproject implementation. The differences are analyzed in detail in Appendix E and summarized here.

The English text is dynamic, and is concerned with improving the DP in its evolving new role, and in providing leadership to the GOM in the process of liberalization; in this role the subproject should continually set higher sights. The French language text is static, upgrading DP to its new role as of 1985 or 1986, monitoring balance sheets as an indicator of producer impact and inflation as an indicator of consumer impact.

As a minor point concerning differing perceptions, the team notes that the common use by Gray of the expression "macroeconomic modelling" to mean understanding the economic effects of policies has confused and alienated some non-economists, particularly non-economist Ministers who were being asked to support his attempts to mobilize economists who were not confused by the terminology.

Conclusion: In the Memorandum of Understanding for the subproject, the French language version emphasizes studies and presentations for consideration by others, whereas the English version implies active involvement. Minister Zahidi told the evaluation team that he agrees with the English version, and does not look at the wording. However, he went on to say that he seeks option papers rather than

active advice. On the basis of this and other conversations, the evaluators conclude that the French language version is the MAE/DP interpretation of performance for the subproject. This has implications for the contribution of the various studies to policy reform, where the study is not of personal interest to MAE management and so is not followed through to dissemination in a wider arena.

In the English text, the project goal is measurable against successful transition. In the French, however, the project goal -- progress -- is not measurable. Since the English text conforms to the style of AID Logframes, we believe this was USAID's intent; our view of HIID and AID expectations for the project fits this version of the text.

Recommendation: This difference in perceptions must be reconciled for effective progress on the subproject. This reconciling of differences of perception should be taken up as an agenda item of the subproject steering committee and clarified to the satisfaction of DP, USAID, HIID, and the MAE.

#### (4) Subproject Policy Impacts

Concerning policy effectiveness, the policy output was not clear to the evaluation team. As an immediate output, we saw some excellent studies which had been prepared by or with the assistance of the HIID team, which were written on a sound economic basis. These included sunflowers, hothouse bananas, regulation of anticompetitive practices under liberalization, and some smaller studies; the subproject had commissioned a series of indepth sector studies (see below) performed by University of Rabat consultants, and a report on the consumer price index had been initialed and returned by the Prime Minister.

One evaluation team member had the opportunity to participate in the presentation and discussion concerning the University study on matches, and found it to be of professional quality. Discussion at the meeting raised concerns about anti-competitive aspects of the distribution system, and policy recommendations flowing from this could lead to open it up or regulate it. We were unable to observe the follow-up.

Conclusion: Although these intermediate policy outputs were more than satisfactory, the evaluation team does not know their ultimate effect on policy. As noted above, the ultimate use by politicians perhaps is a test which is too stringent for a technical policy group. However, it is of interest to both AID and to the contractors. Minister Zahidi mentioned to us the value of the vehicle, tire, and sunflower studies to interministerial negotiation. In this case, the problem appears to be a lack of feedback to DP staff and the HIID team, leading to a feeling that their work was not contributing to reform. More generally, the end contribution of these studies to policy reform is undocumented, and so unclear to the evaluators.

This is the weak part of the project, due to differences in perceptions, and changes in personnel since its inception. We realize the difficulty for AID to take the personality factor into consideration in its creation. Nevertheless, the studies performed under the subproject are being used as option papers for policy

decisions. While the DP staff and contractors may feel frustration from lack of feedback, and from policy activities being reduced from active discussion to provision of information, we found that their work is being used in policy decisions.

Recommendation: The evaluation team approves of ongoing network-building attempts by the advisors, across other Ministries to strengthen Moroccan policy ability at End-of-Project. We understand the problems this raises from the point of view of MAE, a small ministry with few resources, but recommend that it continue.

In the final debriefing, Minister of Economic Affairs Zahidi stated to us that the project and subproject require broader policy work outside the MAE among those who support liberalization, and stated his approval of these activities on the part of the HIID team, and of development of other subprojects by USAID under the Project to develop parallel and complementary activities in other Ministries. We recommend that the HIID team continue its part of these activities.

Finally, the evaluation team considered the suggestion that price decontrol has been vitiated by continuing controls at the local level. Our meeting with the Ministry of the Interior and Information (MOII), which monitors prices and enforces controls for the Governors, gave the team a small understanding of the functioning of that Ministry and the favorable views of the Director of Regulation and Price Control concerning deregulation of certain prices. Representatives of the private sector acknowledged the liberalization of MOII's regulation in some cases, but it appears to be on an item-by-item basis; the private sector does not believe that the MOII's own DP is a disinterested party, nor that it is irrevocably committed to price liberalization.

Conclusion: Interior Ministry and local price controls remain in effect on many items. The MAE is leading the price reform effort; however, and the extent of decontrol is expanding, albeit from a lower base and to a lower range than it appears from looking at national data. This does not provide grounds for questioning the basic reason for existence of the DP subproject.

#### (5) DP Team Spirit

Finding: During the period of change in MAE and DP leadership in 1985/86, team spirit among the DP staff was at a very low ebb. However, with the introduction of computer equipment, assignment of the HIID advisor to provide training and advice, morale and team spirit have risen. The subproject resources (computer, advisors and training) have transformed and raised the spirit and morale by focusing the staff on new opportunities for professional development, joined the staff together in training programs, and encouraged cooperation and exchange of ideas.

Conclusion: The net result of two years of subproject implementation is an enhanced "esprit de corps" which was at a high level at the time of this review.

#### (6) Computerization

Finding # 1: Project inputs were appropriate at the time they were provided under the limited scope agreement, and later under the DP Subproject. The choice was driven by needs, not vice-versa, so they have been used quite effectively;

problems which still remain are minor, such as problems of peak period use. The original software choice, which was not entirely appropriate, was corrected by the HIID team and improved with experience, evolving according to the needs of the subproject. Again, the fact that the computerization was demand-driven was important to its success.

Conclusion: Upgrading has been appropriate as demand has grown and changed. Except for a text scanner, the equipment purchased has not been on the technological frontier, so few problems have arisen from the choice of equipment. The software does a good job of covering the range of needs.

Computerization has raised a budgetary burden which had not been fully appreciated (paper, tapes, materiel). We understand authorization to purchase data backup tape cartridges, in particular, has been difficult to obtain. Nevertheless, the team talked with other Directorates which have computerized, and found that the problem of materiel is not insurmountable or due to special circumstances in Rabat or in the GOM, but requires forethought and budgeting at the MAE, DP, and HIID levels.

Recommendation: The MAE must plan carefully and budget for computer maintenance, repair and supplies. The initial procurement of hardware, software, and some continuing software additions has been financed by USAID (directly, and through the HIID contract), but the maintenance, repairs and continuing operational supplies are the responsibility of the MAE.

Finding # 2: The computer room has been an excellent training device through its contribution to team learning and through its optional use of a scarce resource. Training in computer use, already referred to in its relation to the Statistics and Economics courses, has been very well done. It has been applied, on-the-job, and related to the work. There has been even some use of Lotus Macros, showing a sophisticated appreciation of the possibilities of computerization.

Conclusion: The computer room concept has not just helped team learning, but also promotes maximum use of the machines (with none sitting idle in someone's office); aids training in analytical technique, in a classroom role; provides an environment for team learning, through providing users the ability to shout out question and get an answer; and in general fosters esprit de corps.

Recommendation: The DP and the subproject are to be commended for their efficient use of scarce computer resources. Based on the success of this, the team recommends that USAID make such use a condition in any other subproject MOUs, if any, to prevent individuals from reserving machines for their exclusive use.

Finding # 3: Minister Zahidi has expressed a need for a mini-computer system to link his various Directorates and give his Ministry the ability to review the investment data now held by other Ministries. The HIID advisors submitted a recommendation which the Minister may not have received which analyzes the request and a study done for the Minister by a vendor. They conclude that the proposed system, among other things: (1) has too much capacity, which will be economically (and possibly technologically) obsolete before it is all used; (2) imposes a large

budgetary burden (its operations budget is extraordinarily heavy); and (3) is supply-driven (a vendor proposal) rather than demand-driven. We add that it would necessitate retraining from zero due to software differences, with loss of time and negating that aspect of the subproject (which is the only aspect which has fully achieved its goals), and that outside DP we were unable to identify the need for tools like this.

Conclusion: Any request that AID fund the purchase of a mini-computer system for the MAE is not justified. We agree with a separate advisors' memorandum that the DP's own needs are incremental.

Recommendation: Before any further consideration of a mini-computer, MAE should check with other users of similar systems to see their use, maintenance cost and burden, and staff training requirements. We do not recommend this for AID financing.

For the DP, the growing productive workload may be justification for at least one 386-generation microcomputer. The DP and USAID should weigh number and memory against current memory cost and the historical pattern of declining prices. The evaluators are not competent to evaluate the DP proposal for a laser printer, since this depends entirely on local maintenance and repair capability which we have already identified as a weak point.

Finding # 4: Concerning the contribution of computer use to the goal of the subproject, the team concludes: (1) that the DP is doing its existing job faster; (2) the "clientele" of the DP in the private sector expresses its appreciation for dossiers better related to their actual operations, fewer DP errors, and faster turnaround; and (3) the DP staff members claim this has given them extra time to reflect and to improve their work.

Concerning the contribution of computers to the new tasks of the DP, it was not clear to us that the DP staff is undertaking these on its own. DP demonstrates very little of its new ability to use the analytical tools provided by the subproject, including domestic resource cost analysis, the effects of tariffs and exchange rates on export or other economic variables, and the estimation of demand functions for the products in its dossiers. The partial equilibrium models under development with the HIID group appear not to be used in daily work. The use of these tools varies by the individual cadre, from none at all to full integration in the work. However, neither was it clear to the team that this should be expected to be seen at this point in the life of project.

Conclusion: The team agrees that the cadres have the extra time, but are not so sure, giving conflicting testimony, how much it is used to improve their work. This is not a criticism of DP, only of our time to evaluate its work.

No conclusion concerning new tasks is possible. This must await final evaluation.

In summary of the computerization conclusions, all equipment has been installed, the training has been sufficient, well organized, well done, correct for project needs, and demand-led rather than supply-pushed. The utilization of computers as a tool in analysis has been competent; such exceptions as exist appear

to be individual personalities and not the contractor's responsibility. Regulatory and pricing work of the DP has been improved and sped up, but the evaluation team is unable to confirm whether the "time to think" that this has provided has been indeed used for substantive advancement.

(7) Analysis and Use of Training, English, Policy Assistance and Team Spirit

As a training and institutional development project, the combination of the above items impressed the evaluation team. Measured against AID projects in training and institutional development elsewhere in the world this would certainly be considered a success. It also impresses Moroccan observers outside the MAE. Director Faik of the DP has been called a "technocrat" in the Interministerial Commission on Prices (possibly, as opposed to "advocate"). The ministries which deal with DP (Plan, Finance, Commerce and Industry, Agriculture, Health, and BAM) in the GOM are those most in favor of new subprojects with them, a vote of confidence if imitation is a sincere form of flattery. Finally, the DP subproject receives good marks from its clients, whether in regulated or liberalized sectors, who have no special cause to praise DP before us.

The evaluation team had the opportunity to observe DP in action. Four members plus one advisor had to serve as fast-reaction team to a MARA proposal during our visit. While we were not given access to the MARA document under negotiation (we were given a copy of the most recent DP report at the time of our departure), we could observe the DP response.

Most groundwork had already been done as part of the new routine work, so the DP response only required update. The DP team used computers rapidly and well. The slowest part appears to be the graphics software, not the available analysis. Because of this, there was time to develop a strategy, and to review available materials which would best serve. Information which was produced could back the Minister's claim that, of all Ministries, only he speaks for the producer, the consumer, and the Treasury.

This exercise also showed the probable fragility of the progress, since some of these documents had been prepared only as training exercises. We have seen other documents begun as training exercises in which the DP never took an interest. This exercise also raises the disturbing question why the DP uses its technical skills to act as arbitrator rather than "advocate" for liberalization.

The comment submitted by the DP in response to a draft of this report concludes that the subproject has given it this ability, which the team finds not used to its advantage.

Other Directorates appreciate the training offered by the advisors, and try to participate in it. This contribution of the project could not be measured by the team but certainly is an externality of the subproject which meets project goals.

Conclusion: The subproject is already a success when viewed as a training project, but has fallen short of intentions (particularly AID intentions) when viewed as assistance to ongoing policy reform. Depending on the weight one gives

to each dimension, one can get a different view of the project as a whole. Minister Zahidi agrees with the concept that the project and subproject can branch out into other ministries.

A serious problem exists concerning lack of feedback to the DP which might permit its members to improve the policy content of their work and adapt it to Ministerial needs. This is discussed later.

Recommendation: Authorization to continue and strengthen the "outreach" activities of the subproject should relieve a major perceived constraint on the part of the HIID team in the policy dimension. The connection between training and policy advice must be strengthened.

#### (8) DP Staff Morale and Transformation of Tasks

##### a. Morale of DP staff in HIID advisors

Finding: As indicated under numbered paragraph 5, above, DP staff appeared to have good morale. Evidence of this fact is the collaborative and cooperative atmosphere in DP and a distinct pride in the organization.

The HIID advisory team is generally happy with its contributions to DP staff development through its training and advisory assistance to that staff. As indicated in other sections of this report, there is some frustration with the circumstances in that neither the HIID team nor its counterparts are being asked to contribute through the application of technical capabilities and experience to the formulation of specific economic reform policies. The evaluation team believes that the HIID advisors have much more to offer to the MAE in its role in advocating and formulating economic reform policies.

Conclusion: We conclude that the HIID advisors have the knowledge and experience to assume a larger advisory role for the Ministry without reducing their training effectiveness of the DP staff.

Recommendation: In the team's debriefing with the Minister, we made this suggestion and repeat here that he take advantage of the experience and expertise of the HIID advisors in analyzing and advising on specific economic reform policy issues.

##### b. Transformation of DP Staff Tasks

Finding: The traditional tasks of DP were to analyze costs of production, product-by-product, or for utility services to determine and recommend controlled prices for each product or service. The new tasks which the subproject is assisting the DP to address involves working in the context of economic reform to monitor prices and study them as market phenomena, weighing consequences of price movements throughout the economy (producers, consumers, import duties, transport, distribution, utilities, etc.) and advise decision makers on expected consequences and possible courses of action. In sum, to use sectoral and macroeconomic analyses as a basis for policy decisions.

These new tasks are evolving and will continue to require more and more analytical refinement on a broader scope as structural adjustments and market liberalization progresses.

Conclusion: DP staff must be able to understand and supervise the work as it moves to more and more macro considerations. Progress in increasing DP staff capabilities has been good and is within the objectives of the subproject. However, for DP to stay on top of the economic reform process, to meet the growing demand for broader scope economic analyses, the team believes DP will need to add ideally two (but at least one) well trained and experienced economists to its staff.

Recommendation: We strongly recommend that the Minister reconsider his current policy of not adding any additional staff, and recruit and assign two qualified economists to the DP staff.

#### (9) Short-term Consultants Under Contract

Under the agreement with HIID, besides the long-term advisors the contract is to provide 36 months of consulting services of Moroccan experts, 7 person-months of other HIID consultants, and 15 person-months of experts to be provided through a subcontract with Associates for International Resources and Development.

Three University of Rabat professors have been hired and have produced ten sectoral studies on industry performance and price determination following decontrol of prices.

The only use of foreign short-term consultants to date has been through the use of the major subcontractor, AIRD. After little involvement in the first 18 months of the subproject, AIRD has become active in 1988, with as its major activity the use of its president, Dirck Stryker of Tufts University, and an assistant on three visits in the analysis of survey research and design of the Consumption Modelling Seminar. AIRD no longer expresses dissatisfaction with the arrangement.

There has been major disagreement between the DP and the advisors, with USAID peripherally involved, on the fact that the contractor judged that it was unnecessary to bring world experts in various industries to Morocco so that the subproject could contribute to the restructuring and deregulation studies currently underway under GOM/IBRD auspices. On the one side, a USAID economist and Mr. Faik feel that this should have been done; they consider this a failure to take advantage of "targets of opportunity" in economic reform, and that an important opportunity was missed. Elsewhere, HIID policy advisors have been known for their willingness to bring in the best experts world-wide when their contribution would be cost-effective. Opposing this, Mr. Gray felt such short-term experts would duplicate the work of the World Bank consultant. He noted, correctly, that he and Mr. Saulniers are competent to evaluate the work of visiting consultants in these sectors.

Conclusion: The University of Rabat's short-term consultants interacted well with the permanent staff and contributed to their enrichment of understanding of the portfolios concerned and of analytical techniques. Minister Zahidi commented favorably on this model in our meetings. We agree that it should be continued.

42

This is not a complete solution, however. The DP must have both economists capable of dealing on a professional level and the training in economics among those non-economists on the staff to work with these outsiders productively.

On the disagreement over use of foreign experts, the evaluation team finds Mr. Gray's logic correct, but that the advisors may not be considering the opportunity cost of their own time, nor the added value of having a consultant work alongside the DP team on this exercise. It appears that the IBRD consultants' studies have been of variable quality, with better work being done in one sector than in the other. Therefore, the final argument lies between the Faik and Gray positions.

Recommendation: The short-term part of the budget for the subproject is substantially underspent. We recommend that the Rabat team (including MAE and DP) work to identify effective interventions during the remainder of the project.

The past cannot be changed concerning use of foreign experts. A special effort should be made to provide technical assistance to the upcoming development of new legislation regulating anti-competitive practices.

#### (10) Miscellaneous

The subproject has provided several outputs which were not in the original terms of reference for the subproject, but which have helped to accomplish the project's goals of assisting in Moroccan economic reform. These include the following:

##### a. Dinner Debates

The HIID advisors have brought in experts and those concerned with implementing deregulation and liberalization from the U.S., France and elsewhere, to discuss their achievements and failures. This has been both understood and appreciated by the Moroccans interviewed throughout the GOM. These debates have also served to improve the informal coordination among members of the Moroccan government. Care has been taken not to develop a clique, but has reached out to bring into the debate the agencies which normally do not talk collegially to each other, including the Ministry of the Interior.

The evaluation team finds the activity to have been useful toward the accomplishment of the goals of the overall project, even though it is outside the subproject terms of reference. It has contributed to coordination among the Ministries concerned with economic adjustment and reform and probably will assist in assuring the sustainability of the effort.

##### b. Coordination with Other Directions in Other Ministries

This is a project goal. The original concept was that the various subprojects would have a synergy from inter-communication. In application, there is only one subproject. However, the HIID team has undertaken significant outreach to the other GOM units charged with implementing economic reform.

This has been a cause of frustration, particularly for Mr. Gray, since his own subproject is not yet in a position to act as an equal in this process. It has been appreciated in other Ministries and in his own. Other Ministries have expressed an interest in cooperating at various levels, including training and joint sponsorship of professional conferences.

c. Conferences

The consumption modelling conference planned for December 1988 is a good idea. It is unfortunate that its logistics took a long time due to indecision at the level of authorizing various steps.

The macroeconomic modelling conference once planned has never moved forward. As mentioned earlier, we believe that part of the problem here is nomenclature, which makes it difficult for non-economists to understand the purpose or importance of the conference.

Although the national privatization conference was not under the umbrella of the project, the DP advisors participated in that conference, and part of their work was published in a national newspaper. The evaluation team read the papers contributed by the DP advisors, followed the conference itself, and H.M. the King's reaction to its output. We are unable to judge more. That part of Mr. Saulniers' paper presented at the conference was repeated in the Rabat press and indicates the significance of the conference deliberations.

(11) Sustaining DP Subproject Impact

The model the team would recommend for DP to work toward and sustain in the future would be:

a. Develop DP core staff capability to the point that it will be able to handle demand for more advanced economic analysis work, develop terms of reference, supervise studies by contract experts, and evaluate and use completed studies. This will require, as recommended elsewhere, the addition of two experienced and qualified economists to the DP staff.

b. Budget for and continue the use of outside expertise to perform indepth analytical studies, such as the use of University of Rabat professors or perhaps interministerial committees.

c. Continue upgrading through training of DP staff.

d. Continue upgrading computer technology to keep pace with growing analytical tasks.

This concludes the evaluation portion of the team's report. The following section contains a supplement called for in the scope of work for the project that would provide Beginning of Project Status (BOPS) indicators.

## VI. SUPPLEMENT: BEGINNING OF PROJECT STATUS (BOPS) INDICATORS

As indicated in the introduction to this report, the team was to gather and describe benchmark data (BOPS) that can be used in the final evaluation to assess end-of-project status (EOPS). This supplement to the body of the report and the tables (which are included in Appendix F) provide the BOPS requested in the Scope of Work.

For Beginning-of-Project Status in this report, the evaluators have considered status as of 1986, or most recent data if 1986 data is unavailable. Section headings below correspond to the Logical Framework for the project. All Tables referenced in this section may be found in Appendix F.

### Measures of Goal Achievement

#### (1) Price regulation for all sectors, including the financial sector

##### a. Commodity prices

Three commodity price regimes are: (1) fully controlled; (2) partially decontrolled (the DP must be notified -- with full documentation -- of a proposed change and has 15 days to respond); and (3) fully liberated. These regimes coexist. The DP considers partial decontrol as decontrolled (the DP Model below), while the private sector considers it a subtle form of control (Private Sector Model). A simple list (Table 14) gives too much weight to economically unimportant items and too little to basics, so our index of liberalization includes the importance of the good in production (using the weights of the producer price index) or in consumption (CPI weights). The HIID team (notes to DP dated May 11 and Oct 12, 1988) has calculated the percentage of the consumption or production basket liberalized. However, a final model would reflect that individual governors may not recognize DP-liberalized prices when they call on the Ministry of the Interior to enforce ceilings on trade margins; in localities where this occurs all prices are subject to government review, i.e., there is no liberalization. This model aside, the GOM would claim liberalization at the national level had increased by 17-20 percent at beginning of project, the private sector would claim 10-14 percent.

### Percentage of Prices Liberalized

	<u>1982</u>	<u>1986</u>	<u>Increase</u>
<u>DP Position</u>			
Production	48	57	+ 20
Consumption	49	57	+ 17
<u>Private Sector Position</u>			
Production	48	54	+ 14
Consumption	49	54	+ 10

45

b. Interest rates

In 1988, lending rates and the rate on one-year deposits were lowered at Royal request to reflect the decline in the inflation rate. In 1988 and 1989 the monetary authorities plan to decontrol gradually some interest rates. It is projected that by end-1988 the interest rates applicable to deposits of more than 6 months will be set freely by the banks. Also by the end of 1988 the Treasury intends to establish an auction system for placing treasury bonds on the market. Existing interest rates are not fixed, but are controlled by floors on deposit rates and ceilings on lending rates; due to lack of competition and to the existence of preferential lending programs the banks have been unwilling to deviate from these limits, however. Finally, the establishment of interest rates is outside the authority of the Pricing Directorate. Beginning of project status is no liberalization of rates.

(2) The share of value added by state-owned enterprises

The IMF reports that the State fully owns more than 200 enterprises, is the major shareholder in another 270 enterprises, and has a minority interest (directly or indirectly) in 130 other enterprises. By 1982 (the most recent data available), public enterprises were generating about 32 percent of value added in manufacturing, and 20 percent of total value added in the economy. The share of value added contributed by state-owned enterprises by sector is summarized in Table 13.

(3) Subsidy burdens for basic consumer goods, state-owned enterprises, and factors of production

a. Basic consumer goods

Total food subsidies rose from DH 1.3 billion in 1982 to DH 2.5 billion in 1985 before declining to DH 1.7 billion in 1986 (Table 2). Total consumer subsidies (with data drawn from a different, and possibly non-comparable, series, Table 3) peaked at DH 3.3 billion in 1988 and fell to DH 0.6 billion in 1987. They are expected to rise to DH 1.6 billion in 1987 due to a good harvest (and hence low domestic market prices for foodstuffs) and a high world market price. Prices of subsidized foodstuffs were not increased from September 1985. However, in 1988 the allocation for subsidized flour was quietly reduced, the budget level frozen, and flour prices raised.

b. State-owned enterprises

State-owned enterprises also exert a drag on the budget, with the exception of the OCP, the Phosphate Company, which is profitable. The current subsidies to public enterprises increased from DH 593 million in 1982 to DH 784 million in 1986 (see Table 5 for breakdown by enterprise) while the capital subsidy peaked at DH 2.3 billion in 1982 and declined from DH 2.3 billion in 1985 to DH 1.7 billion in 1986 (Table 6). In 1988, water and electricity tariffs were raised by 12 percent and 5 percent, respectively. Treasury bonds of DH 2.7 billion were issued to settle arrears to public enterprises through a five-year amortization fund. The

46

ONEP claims that this has worked in general, but the required consumption cutback imposed on government bureaus was unrelated to ability to reduce consumption of utilities and certain arrearage problems remain.

c. Factors of production

Since 1982 the fertilizer subsidy is administered directly by OCP, and the figure is off budget and not available officially. The DP reports the subsidy as DH 200-300 million for 1986, with a budgeted figure of DH 200 million for 1988. Petroleum products are currently taxed -- not subsidized -- as the domestic support price exceeds the world price. However, cross-subsidization maintains the price of some items, such as fuel oil, relatively, not absolutely low. The cost of capital (interest rates) continue to be administratively determined and, despite Royal intervention to reduce rates, remain above the world price. None of these presents a subsidy burden to the GOM budget at Beginning of Project.

(4) Budget Deficits

The Central Government Budget deficit has been reduced greatly under the IMF Standby (see Table 3). The deficit on a payment order basis has decreased from 11.4 percent of GDP (DH 12.6 billion) in 1984 to 6.1 percent in 1987 (DH 9.2 billion), with a target 4.5 percent of GDP in 1988. The decrease on a cash basis has been substantially less, from 8.2 percent in 1984 to 6.0 percent in 1987-88, as the government has borrowed in order to repay some arrears to suppliers.

(5) Productivity of Public Investments

These data are unavailable for BOPS. An Interministerial Commission on Public Investments was established in 1988, based on training provided by UNDP in project evaluation to engineers in several ministries and the local collectivities, to permit evaluation of public investment projects according to economic and financial criteria. The early work of this Commission is concentrating on major budget items. No output is available at the time of this evaluation.

(6) Liberalized Trade Regime

A series of steps -- recapitulated in Table 7 -- has been taken since 1983 to reduce both tariff barriers and non-tariff import barriers. As shown in Table 8, 1986 non-tariff barriers covered 14 percent of imports by value (compared to 100% in 1983); customs duties ranged from 0-45% (down from 0-400%), stamp duties remained at 10 percent, and the special import tariff which is supposed to be a temporary revenue measure remained at 7.5 percent (down from 15% but subsequently increased for revenue purposes in December 1987). For BOPS, the range of quantitative restrictions by subsector is given in Table 9, and the distribution of trade taxes by level in Table 10. Although GOM policy is to transfer goods from the controlled list to the decontrolled lists and to lower and compress the tariff schedule towards 25%, later stages of this are meeting resistance from protected enterprises and from the Finance Ministry with its need for tariff revenue.

Project Purpose: Conditions That Will Indicate Purpose Has Been Achieved

(1) Establishment of supported units as centers of economic policy analysis

The Direction des Prix (DP), Ministry of Economic Affairs, has existed as a price control body since 1973. The subproject has introduced the ability to do economic policy analysis. Other units identified by the evaluation team were:

Ministry of Economic Affairs:	Cooperation Cell (Proposed by Minister Zahidi to do macroeconomic analysis in coordination with the World Bank and other donors; currently not staffed);
Finance:	Cellule des Previsions (Small team of economists);
Plan:	Planning Directorate (Approximately 80 professionals, engineers and economists, and 12 microcomputers); Economic and Financial Projection Service (4 engineers doing applied economics and one economist, under Planning Directorate); and
Interior:	Direction of Price Regulation and Control, Economic and Social Division, Studies and Intervention Section (This is considered as a partisan office. It seeks an economist).

(2) Selective dissemination or publication of economic policy studies

BOPS: Minister Zahidi has disseminated some DP studies officially to members of the cabinet. Other official dissemination was not found by the team. Under the project a conference on consumption modelling is planned for December 1988 with proceedings to be published. A conference on macroeconomic modelling failed to take place. The HIID team and Falk distribute some work on an informal basis. DP has received teams from the Direction de la Statistique to verify its price series methodology and to try to improve on it.

(3) Performance indicators for economic policy management units

Testimony from members of the DP as well as from the supervised private and public utility sector indicates that computerization and computer modelling has reduced the time for analysis of a controlled portfolio greatly, improved its quality, permitted comparison between the GOM model and the firm's own data, and permitted time for thought. The time to prepare a monthly statistical digest was reduced from several days to 20 minutes using wordprocessing-graphics software. The time to prepare the law revising yearly all schoolbook pricing according to a complicated set of conditions given by law, has dropped from at least six weeks to less than one week following the computerization of the process by the DP cadre responsible.

Measures of time to prepare the annual budget, or methods to evaluate proposed public investments, either were not available to the evaluation team (Budget) or did not exist (Investments) at beginning of project.

(4) Senior GOM officials making use of supported policy analysis capabilities by requesting and using information and studies

By its nature -- even in the absence of the subproject -- the DP provides policy analysis for use by the Interministerial Commission on Prices. Many DP memoranda and analyses are used by the Minister of Economic Affairs as the sole minister simultaneously "representing the producer, the consumer, and the treasury." Outputs from the sub-project have been seen and noted by the Prime Minister. One advisor noted that DP's analysis prevented an increase in sunflower support prices that saved the Moroccan treasury eight times the total cost of the subproject. Other memoranda are available to Ministers but to our knowledge are not used by them.

(5) Currentness and reliability of economic data

Overall, the team was not able to judge BOPS. Improvement must come from the Ministry of Plan, Direction de la Statistique. DP is more current on its sectoral and firm analysis. DP publishes monthly foreign exchange and commodity price analyses based on Wall Street Journal daily data, and appears to be the only GOM entity to prepare and use analysis based on daily data.

## LIST OF APPENDICES

- A. Evaluation Scope of Work
- B. Log Frames Project and DP Subproject
- C. Methodology
- D. Memorandum of Understanding
- E. Critical Analysis of MOU
- F. Economic and Benchmark Data
- G. Subproject Selection Criteria (ProAg - 31 Aug 1985)
- H. Hardware and Software provided
- I. English Language Training (DP staff)
- J. List of Contacts
- K. Documents Reviewed

APPENDIX A. EVALUATION SCOPE OF WORK

APPENDIX A  
EVALUATION SCOPE OF WORK

I. Activity to be evaluated

The project to be evaluated is the "Economic Policy Analysis Support Project (608-0191)" of which the most important component is the "Pricing Policy Subproject, Pricing Directorate ("Direction des Prix").

The evaluation will cover the overall project, but with particular emphasis on the Pricing Policy Subproject. This subproject is a component of the structural adjustment program which includes the liberalization of the trade and price regimes and the removal of quantitative restrictions as essential measures.

The Economic Policy Analysis Support Project (608-0191) has a total estimated cost over life of Project of \$11,500,000 with the total USAID contribution amounting to \$8,600,000 and the total GOM contribution amounting to \$2,900,000. The project started in 1985 and will last to September 30, 1990. The Pricing Policy Subproject, Pricing Directorate has a total estimated cost of \$2,609,000 with an AID contribution amounting to \$1,956,000 and the total GOM contribution amounting to \$653,000 dollars. The activity completion date for this subproject is September 30, 1989.

II. Purpose of the evaluation

The basic purpose of the subproject evaluation is to determine whether the project has assisted the Pricing Directorate to strengthen its capabilities in collecting, organizing and analyzing economic data, to enable it to prepare studies assessing the net advantages of allowing market determination of most prices as well as realistic adjustments to international markets.

Specifically the evaluator will determine the extent to which outputs have been achieved through provision of inputs. Outputs include:

- (1) Data base and microcomputers in place and functioning, for pricing policy and other purposes.
- (2) DP staff trained and experienced in: (a) organizing and analyzing economic-social data for specific action-oriented policy purposes, (b) using microcomputers as a tool for these purposes, (c) formulating conclusions and policy recommendations on national-level economic issues and (d) writing and speaking english.
- (3) DP staff capable of assessing with reasonable objectivity; (a) the impact of current and proposed government policies on various aspects of the Moroccan economy, (b) the advantages/disadvantages of free-market vs regulated domestic prices, and (c) the need for GOM actions to enforce competitive market conditions and discourage restraint-of-trade attempts.
- (4) Policy-oriented analytical studies of high quality, prepared increasingly frequently on important national economic issues.

- (5) DP staff capable of: (a) using an analytical and scientific approach to the resolution of economic problems, (b) undertaking sectoral or macro analyses as well as enterprise or product specific analysis and, (c) analysing how the market is changing instead of how to fix prices.

The purpose of the overall project evaluation will be to develop recommendations on improving the performance of the Project as a whole. This evaluation will examine the adequacy of procedures used in developing subprojects with the GOM counterpart agencies, the degree to which the agreements reached in the Memorandum of Understanding correspond to the goals and objectives of the Project, as expressed in the subproject selection criteria, and the administration of the Project as a whole. This evaluation will also permit the collection of existing baseline information that will be used in the second major evaluation that will be undertaken toward the end of the Project.

The type of information to be gathered to describe the beginning-of-project status (BOPS) is outlined by the "Measures of Goal Achievement" in the Logical Framework of the projects. The measures may include, but are not necessarily limited to:

- . extent of price regulation, both with respect to the number and type of goods and services still openly regulated, and the goods and services for which cost-plus rules continue to apply, although prices have ostensibly been liberalized;
- . pricing of goods and services offered by public enterprises;
- . estimates of subsidy costs for (a) basic consumer goods, (b) state-owned enterprises, and (c) factors of production (such as fertilizer);
- . assessments of capabilities in economic policy analysis and implementation in GOM agencies.

The evaluation design may add more variables to the description of the BOPS. These baseline data in turn will be used in the second evaluation to assess the end-of-project status (EOPS).

The Project paper anticipated that each one of several subprojects would be evaluated separately within its own logical framework. There is, however only one subproject in implementation and a second subproject expected to begin later this year. The subproject evaluation will examine the institutional arrangements and procedures and determine their adequacy. The subproject evaluation will take place in the context of the first overall Project evaluation.

### III. Background

Three semi-annual reports have been presented by the Harvard Institute for International Development. The third semi-annual report dated February 4, 1988 describes most of the accomplishments to date. Both this semi annual report and the Memorandum of Understanding between USAID and the Ministry of Economic Affairs will be attached to this scope of work.

#### IV. Statement of Work

The contractor will provide a senior economist to evaluate (1) the effectiveness of assistance provided by USAID to the Pricing Directorate of the Ministry of Economic Affairs and (2) prior attempts and future plans for the development of additional subprojects under this umbrella project.

With respect to the Pricing Directorate subproject the contractor will address the following issues:

Is the objective of transforming the Pricing Directorate into a pricing policy analysis unit still valid?

- . If so, what needs to be done to reach the objective?
- . If not, what is a more appropriate objective and how should the project be redirected to attain a new objective?
  - How much is the project achievement of objective linked to cadres motivation?
  - What can be done to increase cadres motivation?
  - How do cadres and upper management perceive the program (important? useful?)

What has been accomplished thus far?

- . How have subproject accomplishments affected pricing policies or other economic policy decisions either positively or negatively? How are subproject accomplishments reflected in available indicators of goal achievement including changes in the extent of price regulation, the pricing of goods and services of selected public enterprises and subsidy costs for basic consumer goods, state-owned enterprises and factors of production (such as fertilizer)? How are analyses and reports distributed and what type of impact have they had?
- . How much more do we know about price fluctuations since the beginning of the program? Impact on standard of living etc.

Has the Minister of Economic Affairs made effective use of project resources?

- . How could the Ministry benefit more from the available resources?
- . How can the development of pricing policy be brokered among the competing interest groups by the Pricing Directorate?
  - What needs to be done to improve coordination in the development of pricing policies?
  - How can program increase coordination among different Ministries? especially the Ministry of Finance and the Ministry of Economic Affairs?

Has USAID provided adequate project backstopping to further project objectives?

- . follow-on, how USAID backstops project?
- . What can USAID do to increase the usefulness of the program?
- . Why haven't more sub-projects been developed and approved?
  - Is there a demand on the GOM side for subprojects which fall within the parameters of the projects?
  - Has AID been too restrictive? Has AID been too passive?
  - Is the original project concept flawed?

Has the contractor met subproject objectives?

- . If so to what extent in comparison to the contractor's proposed approach?
- . What alternate approaches could be tried by the contractor in attempting to carry out its role effectively?

With respect to the development of additional subprojects the contractor will review Morocco's structural adjustment program, past and existing attempts to develop relevant subprojects, and will comment on areas in which the project could have a significant effect on the progress of economic adjustment. For example, what are possible "regional" subprojects - e.g. helping municipal governments ("collectivités locales") making policy analyses.

In the final report, the evaluators will be required to provide:

- their findings (i.e. "the evidence");
- their conclusions (i.e. their interpretation of the evidence and their best judgment based on this interpretation)
- their recommendations based on their judgments

The findings, conclusions and recommendations should be clearly distinguished as the evaluator focusses on the above questions which need to be answered.

#### V. Methods and Procedures

The evaluation will be undertaken by a development economist and an evaluation specialist. Preparatory work will involve an analysis of the semi-annual reports presented by the Harvard Institute for International development team to AID and the project paper relative to the project and subprojects. The team will receive these documents before it begins its investigation. The evaluators should be fluent in French to be able to communicate with the staff at the Pricing Directorate. At their arrival in Morocco the evaluators will meet with all interested parties from the MEA and USAID to discuss the evaluation objectives.

It is estimated that the evaluators will spend 70% of the time in Rabat interviewing and reviewing documents and 30% of the time in analysis and report writing.

AID Rabat will provide administrative and logistical support. The principal contacts at AID will be James Smith, Dan Kohler and Mouma Cherkaoui. The Ministry of Economic Affairs will indicate the principal contacts at MEA. One or two days will be required to review AID documents before starting the investigation.

#### VI. Composition of the evaluation team

The evaluation team will include both an evaluation specialist and a development economist. The team leader should have a large experience in development economics, the workings of francophone developing country administrations, and policy analysis. Preference will be given to a team leader who knows Morocco and the functioning of the Moroccan administration. The evaluation specialist should have experience in the evaluation of policy oriented development projects.

#### VII. Reporting requirements

1. Format of the report. The evaluation team should prepare a written report containing the following sections:

- Basic Project Identification Data Sheet. (See outline in Appendix 1);
- Executive Summary. Three pages, single spaced. (See outline in Appendix 2).
- Body of the Report. The report should include a description of the country context in which the project was developed and carried out, and provide information (evidence and analysis) on which the conclusions and recommendations are based. The report should be no more than 50 pages, and the evaluators should include details in appendices;
- The report should end with a full statement of conclusions and recommendations. Conclusions should be short and succinct with the topic identified by a short sub-heading related to the questions posed in the Statement of Work. Recommendations should correspond to the conclusions; whenever possible, the recommendations should specify who, or what agency, should take the recommended actions;
- Appendices. These should include at a minimum the following:
  - (a) The evaluation Scope of Work;
  - (b) the pertinent Logical Framework(s), together with a brief summary of the current status/attainment of original or modified inputs and outputs (if these are not already indicated in the body of the report);
  - (c) A description of the methodology used in the evaluation (e.g., the research approach or design, the types of indicators used to measure change, how external factors were treated in the analysis. Evaluators may offer methodological recommendations for future evaluations;

(d) A bibliography of documents consulted.

Other appendices may include more details on special topics, and a list of agencies consulted and the evaluation abstract.

2. Submission of Report. A preliminary draft will be presented to USAID Rabat upon completion of the field portion of the evaluation, and the final draft will be submitted for formal reviews one month afterward. The evaluation team leader will be responsible for seeing the report through to professional completion by September 30, 1988.

3. Debriefing. The evaluation team or team leader will brief the mission on the preliminary results before departure.

57

**APPENDIX B. LOG FRAMES PROJECT AND DP SUBPROJECT**

98

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Program goal</u></p> <p>Contribute to a successful transition to a more market-oriented economy by the end of this decade.</p>	<p><u>Measures of goal achievement</u></p> <p>(1) Less pervasive price regulation for all sectors, including the financial sector.</p> <p>(2) Reduction in the share of value added by state-owned enterprises.</p> <p>(3) Reduced subsidy burdens for (a) basic consumer goods, (b) state-owned enterprises, and (c) factors of production.</p> <p>(4) Significant reduction of budget deficits</p> <p>(5) Increased productivity of public investments.</p> <p>(6) Liberalized trade regime.</p>	<p><u>Program Goal</u></p> <p>(1) Comparison of extent of price regulation, including interest rate regulation and policy</p> <p>(2) Analysis of state-owned enterprise activities.</p> <p>(3) Budget analysis.</p> <p>(4) Studies of (selected) investment project includes in the plan or budget.</p> <p>(5) Review of foreign trade relationships and patterns.</p>	<p>Assumptions for Achieving Goal Targets</p> <p>(1) Political stability.</p> <p>(2) Continuing worldwide economic recovery.</p> <p>(3) At least average environmental conditions (continuing abatement of drought conditions).</p>
<p><u>Project Purpose</u></p> <p>Improve the institutional capabilities of GOM agencies in economic policy development, appraisal and management</p>	<p>Conditions That Will Indicate Purpose Has Been Achieved</p> <p>(1) Official and permanent establishment of supported units as centers of economic policy analysis for their respective Ministries or departments.</p> <p>(2) Selective dissemination or publication of economic policy studies.</p> <p>(3) Significant improvement in selected performance indicators for economic policy management units, such as higher return or lower risk for GOM investment portfolio identified in multi-year plans and annual budget, or reduced time for performing certain functions.</p>	<p><u>Project Purpose</u></p> <p>(1) Institutional and organizational analysis of position and linkages of supported units.</p> <p>(2) Review of reports and publications; assessment of distribution and readership.</p> <p>(3) Pre-post comparisons of performance characteristics in supported activities.</p> <p>(4) Interviews with senior GOM officials, staff of GOM analysis units, technical assistance contractors and representatives or experts from other donor agencies.</p>	<p>Assumptions for Achieving Purpose</p> <p>(1) Continued commitment of GOM to economic policy reform toward a more open market-oriented economy.</p> <p>(2) Formulation of policies emphasizing analytical approaches to economic policy development, appraisal and implementation.</p>

59

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	<p>(4) Senior GOM officials making use of supported policy analysis capabilities by requesting specific information and studies and using them in economic policy decisions.</p> <p>(5) More up-to-date and more reliable economic data, such as national income account statistics.</p>	<p>(5) Pre-post comparisons of availability, timeliness and (objective or subjective) reliability of economic data.</p>	
<p><b>Project Outputs</b></p> <p>(1) Economic policy analysis Units in "policy" Ministries* supported by project will have permanent institutional status</p> <p>(2) Reorganisation of processes involved in the implementation of economic policies, such as planning and budgeting.</p> <p>(3) Analysis and management staff trained in methods of economic analysis, financial appraisal and management, use of microcomputers, and preparation of analytical reports and briefings for key decision makers.</p> <p>(4) Improved access for staff in key functions to up-to-date economic data and analytical tools to perform their functions.</p>	<p><b>Magnitude of Outputs</b></p> <p>(1) Number, background and qualifications (pre-post) of the GOM staff trained.</p> <p>(2) Institutional status of policy analysis units supported.</p> <p>(3) Number, quality and timeliness of economic policy studies prepared by supported units.</p> <p>(4) Change in the percentage of all investment projects included in the plan or budget that provide information on financial and economic performance measures.</p> <p>(5) Change in the average (expected) performance characteristics for investment projects included in the plan or budget.</p> <p>(6) Magnitude of improvements in the performance economic policy implementation:</p> <ul style="list-style-type: none"> <li>- speed</li> <li>- timeliness</li> <li>- quality</li> <li>- cost/return</li> </ul>	<p><b>Outputs</b></p> <p>(1) Interviews with GOM staff members and their immediate supervisors.</p> <p>(2) Records of legislative or administrative actions relating to status of supported units.</p> <p>(3) Evaluation of reports and publications.</p> <p>(4) Examination of the plan or annual budget documents and use of secondary data sources, such as impressions of budget staff as well as staff of technical Ministries.</p> <p>(5) Analysis of sample investment projects; use of summary statistics.</p> <p>(6) Systems analysis studies.</p> <p>(7) Interviews with GOM officials and policy makers.</p>	<p><b>Assumptions for Achieving Outputs</b></p> <p>(1) Continued AID cooperation with IBRD, IMF and other donor agencies involved in policy reform.</p> <p>(2) Continued effective cooperation among affected GOM departments, in particular among policy Ministries.</p>

\* The outputs listed here are intended to be illustrative; ultimately, the outputs for the Project will be the aggregate of outputs for the individual subprojects, as shown in their respective Logical Frameworks.

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>IMPORTANT ASSUMPTIONS</u>
	(7) Appraisal of degree to which high-level officials are making use of economic policy analysis capabilities.		
<p align="center"><b>Project Inputs</b></p> <p>(1) Long-term (resident) technical assistance.</p> <p>(2) Short-term technical assistance.</p> <p>(3) Long-term (graduate degree) training for GOM analysts in the US in economic data collection, processing and policy analysis.</p> <p>(4) Short-term training, visits and internships for GOM analysts and officials in the US.</p> <p>(5) Short-term training in Morocco through specialized seminars and workshops.</p> <p>(6) Microcomputers and commercially available software, plus maintenance and training.</p> <p>(7) Other equipment.</p> <p>(8) Data acquisition.</p>	<p align="center"><b>Implementation Targets</b></p> <p>(1) Approximately 260 person-months of long-term (resident) technical assistance.</p> <p>(2) Approximately 120 person-months of short-term technical assistance.</p> <p>(3) Approximately 160 person-months of long-term (degree) training for GOM analysts in the US.</p> <p>(4) Approximately 100 person-months of short-term training in the US.</p> <p>(5) Approximately 200 person-months of short-term training in Morocco.</p> <p>(6) Some 15 microcomputers with peripherals.</p>	<p align="center"><b>Inputs</b></p> <p>(1) Project records and observations.</p> <p>(2) Interim evaluation and end-of-project evaluation.</p>	<p align="center"><b>Assumptions for Providing Inputs</b></p> <p>(1) Project authorized in FY 1985.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Program goal</u></p> <p>An economic system increasingly market-oriented (both domestically and internationally) and essentially free of price controls and subsidies, so as to stimulate production and employment.</p>	<p><u>Measures of goal achievement</u></p> <p>(1) Extent of market determination of prices. (2) Difference between efficiency and market prices of utilities and other regulated industries (3) Performance of state-owned enterprises. (4) Subsidy costs.</p>	<p>(1) Price statistics. (2) Budget &amp; expense data. (3) Accounts of SOEs. (4) Special studies.</p>	<p>(1) Continued COM commitment and efforts to improve economic policies so that they stimulate production and employment</p>
<p><u>Project purpose</u></p> <p>To strengthen the analytical as well as data-collection and organizational capacities of the Direction des Prix (DP), to enable it to prepare (inter alia) studies which assess the net advantages of allowing market determination of most prices as well as realistic adjustments to international markets.</p>	<p><u>End-of-Project Status</u></p> <p>(1) Role of DP staff visibly strengthened as key economic policy appraisal unit. (2) High professional quality of reports and analyses prepared by DP staff. (3) Ratio of regulatory to analytical activities reversed. (4) Formal process in place and operating, for cooperation with pricing/economic policy analysis units in sectoral ministries, etc.</p>	<p>(1) DP analysis reports. (2) Evaluation.</p>	<p>(1) Continued COM commitment and concomitant efforts to liberalize prices.</p>
<p><u>Outputs</u></p> <p>(1) Data base and microcomputers in place and functioning, for pricing policy and other purposes. (2) DP staff trained and experienced in: (a) organizing and analyzing economic-social data for specific action-oriented policy purposes, (b) using microcomputers as a tool for these purposes, and (c) formulating conclusions and policy recommendations on national-level economic issues. (3) DP staff capable of assessing with reasonable objectivity: (a) the impact of current and proposed government policies on various aspects of the Moroccan economy, (b) the advantages/disadvantages of free-market vs. regulated domestic prices, and (c) the need for COM actions to enforce competitive market conditions and discourage restraint-of-trade attempts. (4) Policy-oriented analytical studies of high quality, prepared increasingly frequently on important national economic issues.</p>	<p><u>Magnitude of Outputs</u></p> <p>(1) Time series in data base for price data, cost-of-living indices, world market prices, budget data, etc. (2) Product/firm budgets for all regulated prices in data base. (3) Periodic reports by DP.</p>	<p>(1) DP reports. (2) Annual and quarterly reports by T.A. team. (3) "Mini-evaluation." (4) Evaluation.</p>	<p>(1) Administrative stability for MEA/DP. (2) Continued commitment of DP staff.</p>

LOGICAL FRAMEWORK, Pricing Policy Subproject

Cont'd.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p style="text-align: center;"><u>Inputs</u></p> <p>(1) Long-term technical assistance in data collection, organizing, and analysis for overall economic policy purposes; also in formulating policy recommendations and report writing.</p> <p>(2) Short-term technical assistance in use of micro-computers as well as in above fields.</p> <p>(3) Short-term in-country and U.S. training for DP staff.</p> <p>(4) Provision of five micro-computers, peripherals, and general-purpose software.</p>	<p style="text-align: center;"><u>Implementation Target</u></p> <p>(1) Two long-term resident advisors working in DP by FY 1986.</p> <p>(2) Schedules established for 60 man-months of short-term technical assistance, to be completed by end of FY 1990, and 60 man months in-country and U.S. training of DP staff, to be completed by end of FY 1989.</p> <p>(3) All microcomputers in place and operating, by end of FY 1985, and all microcomputer-related project activities completed by end of CY 1985.</p>	<p>(1) Quarterly reports.</p> <p>(2) USAID Monitoring.</p>	<p>Project design completed and project authorized in fourth quarter of FY 1985.</p>

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63

APPENDIX C. METHODOLOGY

APPENDIX CMethodology

The evaluation methodology adopted by the team was straight forward and simple, a combination of document review and face-to-face interviews. To make sure the central focus of the study addressed the questions asked in the contract statement of work, a simple "organizer" matrix for the collection of information was prepared and used as the context and backdrop for the team when studying documents and files as well as for interviews of Moroccans in the GOM and private sector. A sample of one section of the "organizer" matrix is attached as an EXHIBIT.

The evaluation team reviewed documents available in Washington prior to departure for Rabat. The list of documents reviewed during the evaluation is given in APPENDIX K.

Commencing with the Minister of Economic Affairs at 09:30 on November 1, 1988, the team interviewed (sometimes together and sometimes individually) USAID officers, the Director and staff of the "Direction des Prix" (DP), representatives of private enterprise, a private bank, the Director of the Plan, and others in the Ministry of the Plan, Ministries of Finance, and Interior. The list of individuals interviewed is presented in APPENDIX J.

Based on the information gathered in documents and interviews, the report was formulated with the team's findings, conclusions and recommendations.

65

APPENDIX C  
EXHIBIT

USAID/RABAT  
ECONOMIC POLICY ANALYSIS SUPPORT PROJECT  
PROJECT NO. 609-0191

PURPOSE ANALYSIS

OVERALL PROJECT

Evaluation Topics	Findings	Conclusions	Recommendations
<p>A- OVERALL:</p> <p>(1) Adequacy of procedures used in developing subprojects with the GOM counterpart agencies</p> <p>(2) Degree to which the agreements reached in the Memorandum of Understanding correspond to the goals and objectives of the Project, as expressed in the subproject selection criteria</p> <p>(2) Administration of the project as a whole</p>			

B- BOPS:

(1) Extant of price regulation, both with respect to the number and type of goods and services still openly regulated, and the goods and services for which cost-plus rules continue to apply, although prices have ostensibly been liberalized

(2) Prices of goods & services offered by public enterprises

(3) Estimates of subsidy costs of (a) basic consumer goods, (b) state-owned enterprises, and (c) factors of production (such as fertilizer)

(4) Assessments of capabilities in economic policy analysis and implementation in GDM agencies

(5) Adequacy of institutional arrangements & procedures

APPENDIX D. MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDINGCONVENTIONPricing Policy Subproject under the  
Economic Policy Analysis Project  
(608-0191)Sous-Projet de Politique des Prix  
entrepris dans le cadre du Projet en  
matière d'Analyse de la Politique  
Economique (608-0191)

This Memorandum of Understanding (MOU) is to set out and confirm the understandings of the Pricing Directorate, Ministry of Economic Affairs, and the United States Agency for International Development (USAID) with respect to the Pricing Policy Subproject under the Economic Policy Analysis Project (608-0191) Grant Agreement dated 31 August 1985 (the "Agreement") between the Government of Morocco and the United States as follows:

La présente convention a pour but de fixer et de confirmer comme suit les termes de l'accord entre la Direction des Prix du Ministère des Affaires Economiques et l'Agence Américaine pour le Développement International (USAID) concernant le sous-projet de politique des prix entrant dans le cadre de l'Accord de Don en faveur du projet d'analyse de la politique économique, signé le 31 août 1985 ("l'Accord") entre le Gouvernement du Maroc et les Etats-Unis:

A. Purpose of the Subproject

The purpose of the Pricing Policy Subproject is to assist the Pricing Directorate in meeting new responsibilities in economic policy analysis and advice. The Subproject incorporates activities agreed upon in the Phase I Project Grant Agreement dated 22 July 1985, (the "Phase I Agreement") which is hereby made part of this MOU. The Subproject is further described in the Annex, appended to and made an integral part of this MOU. This Annex can be changed through Project Implementation Letters signed by the authorized representatives of the parties as set out in Section 8.2 of the Phase I Agreement.

A. Objectif du sous-projet

L'objectif du sous-projet de politique des prix consiste à aider la Direction des Prix à assumer ses nouvelles responsabilités en tant que centrale d'analyse et de conseil en matière de politique économique. Ce sous-projet englobe des activités dont il a été convenu dans l'Accord de Don pour le projet portant sur la première phase signé le 22 juillet 1985, ("Accord de la Phase I"), qui est déclaré par les présentes comme faisant intégralement partie de la présente convention. Le sous-projet est décrit plus en détails dans l'Annexe, ci-joint et qui fait intégrale-partie de la présente conventions. Cette annexe peut faire l'objet de modifications par le biais de Lettres d'Exécution du projet signées par les représentants agréés des parties concernées comme prévu à la section 8.2 de l'Accord de la Phase I.

B. Activity Completion Date

The Activity Completion Date (ACD) for the Pricing Policy Subproject is 30 September 1989, by which date all goods shall be delivered and all activities be completed under this Subproject unless USAID otherwise agrees in writing. Disbursements for activities under the

B. Date d'achèvement des activités

La date d'achèvement des activités (DAA) du sous-projet de politique des prix est fixée au 30 septembre 1989, date à laquelle tous les biens auront été livrés et toutes les activités achevées dans le cadre de ce sous-projet à moins que l'USAID n'en convienne autrement par

Subproject may be made for nine (9) months following the ACD.

### C. Conditions and Covenants

1. All conditions precedent of the Agreement and the Phase I Agreement must be met before disbursements can be made under this MOU. The authorized representatives of the parties for this subproject are those specified under the Phase I Agreement.

2. The parties agree that the Pricing Policy Subproject will be evaluated twice over its lifetime by independent experts within the framework of the Economic Policy Analysis Project.

### D. Inputs of the Parties

A.I.D. hereby agrees to contribute One Million Nine Hundred Seventy-Four Thousand United States dollars (\$1,974,000) Grant to finance the foreign exchange and local currency costs for this Subproject, of this amount \$75,000 has already been made available under the Phase I Agreement; the remainder \$1,899,000 is being made available under the MOU.

The Pricing Directorate, Ministry of Economic Affairs agrees to contribute the dirham equivalent of Six Hundred Fifty-eight Thousand United States dollars (\$658,000) to this Subproject, as further set out in Annex.

écrit. Tous les déboursements concernés les activités réalisées dans le cadre de ce sous-projet seront effectués dans un délai de neuf (9) mois après la date d'achèvement des activités.

### C. Conditions et conventions

1. Toutes les conditions préalable stipulées dans l'Accord et dans l'Accord de la Phase I devront avoir été remplies avant que des déboursements puissent être effectués au titre de cette nouvelle convention. Les représentants agréés des parties au présent sous-projet sont ceux spécifiés dans l'Accord de la Phase I.

2. Les Parties conviennent que le sous-projet de politique des prix fera l'objet de deux évaluations pendant sa durée, lesquelles seront réalisées par des experts indépendants dans le cadre du projet d'analyse de la politique économique.

### D. Contributions des parties

L'A.I.D. convient par les présentes de contribuer au projet par un Don de un million neuf cent soixante-quatorze mille dollars des Etats-Unis (1.974.000 \$) destiné à financer les dépenses en devises et en dirhams de ce sous-projet sur ce montant, une somme de 75.000\$ a déjà été fournie au titre de l'Accord de la Phase I; la somme restante de 1.899.000 dollars sera fournie au titre de la présente convention.

La Direction des Prix du Ministère des Affaires Economiques convient de fournir au sous-projet une contribution en dirhams d'un montant équivalent à six cent cinquante-huit mille dollars des Etats-Unis (658.000 \$), comme précisé

dans l'Annexe.

2. GENERAL TERMS AND CONDITIONS

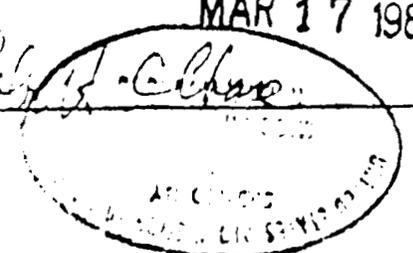
Except as specifically changed by this MOU, all terms and conditions of the Agreement apply to this Subproject.

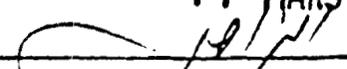
2. Termes et Conditions Généraux

A l'exception des modifications spécifiques stipulées par la présente convention, tous les termes et conditions de l'Accord sont applicables au présent sous-projet.

UNITED STATES OF AMERICA

MINISTRE DELEGUE AUPRES DU PREMIER  
MINISTRE CHARGE DES AFFAIRES  
ECONOMIQUES

BY:   
MAR 17 1986  
  
TITLE: \_\_\_\_\_

PAR:   
17 MARS 1986  
Le Ministre Délégué  
auprès du Premier Ministre  
Chargé des Affaires Economiques  
TITRE: \_\_\_\_\_

Signé : Moulay Zine ZAHIDI

ANNEX

## AMPLIFIED SUBPROJECT DESCRIPTION

1. OBJECTIVES OF THE PRICING POLICY SUBPROJECT

The reform of pricing policies represents one of the cornerstones of Morocco's structural adjustment efforts undertaken in collaboration with the international donor community, especially the World Bank. Pricing policy reform has taken the form of widespread deregulation (or liberalization) of prices of goods and services, and a reexamination of the determinants of prices that remain regulated, such as utility rates. These changes imply a changing role for the Pricing Directorate, heretofore primarily responsible for preparing recommendations for price setting. First, as a result of deregulation the staff of the Pricing Directorate will now be much more concerned with monitoring and interpreting price changes and trends, and with the analysis of consequences of particular policy options. Specifically, the Pricing Directorate will play an important role in ensuring competition in deregulated markets. Second, regulation for cases of natural or effective monopolies will have to continue.

Given the experience and capabilities of its staff and its central role in the formulation of pricing policy decisions in the past, the Pricing Directorate is strategically placed to play an increasingly important role in overall economic policy reform. To take advantage of this potential, the Directorate needs to enhance its analytical capabilities, particularly through the use of microcomputers and appropriate software, to draw on expert assistance in developing analytical and reporting mechanisms to address new issues, to improve staff capabilities in specific areas through short-term training in Morocco and abroad, and to learn from the experience of other

ANNEXE

## DESCRIPTION ELARGIE DU SOUS-PROJET

1. OBJECTIFS DU SOUS-PROJET DE POLITIQUE DES PRIX

La réforme de la politique des prix constitue l'une des pierres angulaires des efforts de réforme entrepris par le Maroc en collaboration avec la communauté internationale des donateurs, en particulier la Banque Mondiale. La réforme de la politique des prix a pris la forme d'un large mouvement de dérèglementation (ou libéralisation) de prix des biens et services, et d'un réexamen des facteurs déterminant les prix qui demeurent réglementés tels que les tarifs des services publics. Ces changements impliquent un rôle différent pour la Direction des Prix, qui était jusqu'à présent surtout chargée de préparer les recommandations à partir desquelles les prix étaient fixés. Il en résultera d'abord que son personnel sera maintenant beaucoup plus concerné par le suivi et l'interprétation des changements et de l'évolution des prix ainsi que par l'analyse des conséquences d'options politiques particulières. En second lieu, une réglementation continuera d'être appliquée dans le cas des monopoles naturels ou de fait.

Vu l'expérience et les capacités de son personnel et le rôle central qu'elle a rempli par le passé dans la formulation des décisions en matière de politique des prix, la Direction des Prix est stratégiquement bien placée pour jouer un rôle d'une importance accrue dans la réforme de la politique économique générale. Pour tirer parti de ce potentiel, il faut que la Direction augmente les capacités analytiques dont elle dispose, en particulier en ayant recours aux micro-ordinateurs et aux logiciels appropriés, qu'elle mette à profit l'assistance d'experts pour élaborer des systèmes d'analyse et de rapports pour traiter des problèmes nouveaux, qu'elle

13

countries in similar problems.

The project to be supported by the USAID will assist the Pricing Directorate in a number of tasks:

- to redefine its role as a lead agency of pricing policies in a market-oriented environment;
- to develop its reputation as a central location for economic policy analysis and advice;
- to improve its understanding of the practical problems of implementing reforms of pricing policies of the scope underway in Morocco, by examining the relevant experience of other countries;
- to adapt and develop specific pricing models and broader analytical constructs to assess the impacts of alternative economic policy measures;
- to examine the incidence of existing subsidy policies and examine alternatives that may achieve the basic objectives at lower cost.

The Pricing Policy Subproject combines technical assistance, short-term training and the provision of microcomputer equipment and relevant software to assist the Pricing Directorate in dealing with its emerging analytical and regulatory tasks effectively. The project is conceived and executed as a subproject under the Economic Policy Analysis Project (608-0191), which provides the overall program goal:

améliorer les connaissances de son personnel dans certains domaines spécifiques grâce à des programmes de formation de courte durée au Maroc et l'étranger et qu'elle tire parti de l'expérience d'autres pays confrontés des situations similaires.

Le projet financé par l'USAID permettra d'assister la Direction des Prix dans un certain nombre de tâches:

- redéfinir son rôle en tant qu'organisme régissant les politique é prix dans le contexte d'une économie é marché;
- développer sa réputation de centrale d'analyse et de conseil sur l questions de politique économique;
- élargir ses connaissances sur le problèmes pratiques qui se posent dans la mise en oeuvre de réformes de politiques des prix de l'ordre de cell qui est en cours au Maroc, en étudiant les expériences similaires réalisées dans d'autres pays;
- adapter et développer des modèle spécifiques de tarification et des modèles analytiques globaux permettant de saisir les conséquences de toute mesure économique; et
- analyser l'incidence de la politique actuelle de subvention et étudier un système de substitution pou atteindre les objectifs de base à moindre coût.

Le Sous-projet de Politique des Pr est une combinaison de services d'assistance technique, formation et fourniture d'équipement micro-informatique accompagné du logiciel approprié pour aider la Direction des Prix à remplir ses nouvelles fonctions en matière d'analy et de réglementation. Le projet est conçu et exécuté sous la forme d'un sous-projet du Projet d'Analyse de la Politique Economique (608-0191) dont l'objectif général consiste à:

- Contribute to a successful transition of the Moroccan economic system to a more market-oriented economy by the end of this decade.

In this context, a more market-oriented economy is understood to rely less on price controls and subsidies, so as to stimulate production and employment.

In pursuing this overall program goal, the Pricing Policy Subproject is designed to accomplish the following purpose:

- Strengthen the capabilities of the Direction des Prix in collecting, organizing and analyzing economic data to assess the requirements and impacts of sound pricing policies in a market environment, to study alternative subsidy policies, and to appraise other economic policy issues.

To achieve this purpose the Pricing Policy Subproject seeks to support the efforts undertaken by the Pricing Directorate to strengthen its analytical capabilities through (short-term) training, technical assistance, and suitable microcomputer hardware and software. Substantively, the project will focus on the preparation of periodic and ad-hoc reports on issues pertaining to pricing policy decisions and related matters before the Government of Morocco.

A Limited Scope Grant Agreement signed July 22, 1985 provided for the microcomputer hardware, software and introductory training for the staff of the Pricing Directorate. This equipment and services represent integral elements of the Pricing Policy Subproject.

- contribuer à réaliser la transition du système économique marocain vers une économie plus orientée vers le marché d'ici la fin de cette décennie.

Dans le présent contexte, on entend par économie plus orientée vers le marché une économie qui s'appuiera moins sur le contrôle des prix et les subventions, de manière à stimuler la production et l'emploi.

En poursuivant l'objectif général de ce programme, le Sous-Projet de Politique des Prix est conçu pour accomplir l'objectif spécifique suivant:

- renforcer les capacités de la Direction des Prix à collecter, organiser et analyser les données économiques devant permettre de déterminer les impératifs et les conséquences de politiques de fixation des prix judicieuses, dans un contexte de marché, d'étudier des systèmes de substitution aux subventions, et d'évaluer d'autres questions de politique économique.

Pour réaliser ce but, le Sous-Projet de Politique des Prix vise à soutenir les efforts entrepris par la Direction des Prix afin de renforcer ses capacités analytiques grâce à des programmes de formation de courte durée, des services d'assistance technique et par la fourniture de matériel et logiciel informatiques appropriés. Le projet sera surtout axé sur la préparation de rapports périodiques et de rapports ad hoc sur des questions relatives aux décisions en matière de politique des prix et sur d'autres questions s'y rapportant, et qui seront présentés au Gouvernement du Maroc.

Un accord de don (d'une portée limitée), signé le 22 juillet 1985, a permis de fournir du matériel et logiciel informatiques et de dispenser une formation préliminaire au personnel de la Direction des Prix. Cet équipement et ces services font

**Intégralement partie du Sous-Projet de Politique des Prix.**

In addition to these components, the design of the Pricing Policy Subproject includes a provision for two senior resident economic advisers in Morocco for a period of three years (1986-89), supported by short-term advisers, and in-country training or short-term training and internships in the U.S. for the staff of the Pricing Directorate.

**II. USAID CONTRIBUTION TO THE PRICING POLICY SUBPROJECT (Total 1,974,000)**

The total contribution of USAID to the Pricing Policy Subproject is estimated at \$1,974,000 over the three-year life of the Subproject. The activities to be financed by USAID include (cf. also Table 1 - Budget):

a. Technical assistance in data collection, organization and analysis pertaining to pricing policy issues (approximately \$ 1,434,000). This technical assistance will be provided under an AID contract with a U.S. institution. The principal task for the technical assistance contractor will be to offer the staff of the Pricing Directorate access to the relevant international experience and methods useful for managing its emerging functions as a pricing policy analysis unit. Detailed substantive requirements for the technical assistance will therefore be determined by the specific information demands placed on the Pricing Directorate as Morocco's economic policy reform continues. Within these substantive possibilities, several general functions of both resident and short-term advisers can be distinguished.

En plus de ces composantes, le Sous-Projet de Politique des Prix, tel qu'il est conçu, prévoit les services de deux conseillers économiques qui résideront au Maroc pendant trois ans (1986-89). Ils seront complétés par les services de conseillers en mission de courte durée, ainsi que par des programmes de formation au Maroc ou de programmes de courte durée et des stages aux Etats-Unis pour le personnel de la Direction des Prix.

**II. CONTRIBUTION DE L'USAID AU SOUS-PROJET DE POLITIQUE DES PRIX (TOTAL: 1.974.000 \$).**

La contribution totale de l'USAID au Sous-Projet de Politique des prix est estimée à 1.974.000 dollars pendant les trois années du projet. Les activités qui seront financées par l'USAID pendant les trois années de vie du sous-projet (voir également Tableau I - Budget) comprennent:

a. Assistance technique dans le domaine de la collecte, l'organisation et l'analyse de données se rapportant aux questions de politique des prix (environ 1.434.000 \$). Elle sera dispensée dans le cadre d'un contrat passé par l'AID avec un organisme américain. La principale tâche du contractant chargé de l'assistance technique consistera à donner aux personnel de la Direction des Prix un accès aux expériences et méthodes pratiquées dans ce domaine au niveau international et pouvant être utiles pour mener à bien les nouvelles fonctions du service d'analyse de la politique des prix. Les conditions détaillées de cette assistance technique seront donc déterminées par les demandes spécifiques de renseignements qui seront adressées à la Direction des Prix à mesure que la réforme de la politique économique du Maroc se poursuivra. Dans le cadre de ces différentes possibilités, on peut distinguer

plusieurs fonctions générales pour les conseillers résidents et les conseillers en mission de courte durée.

The resident economic advisers will assist the staff of the Pricing Directorate

Les conseillers économiques résidents aideront le personnel de la Direction des Prix à:

- in developing and applying mechanisms and procedures for monitoring and enforcing competitive conditions in deregulated markets;

- élaborer et appliquer des mécanismes et procédures pour contrôler et faire appliquer les conditions de la concurrence sur des marchés libéralisés;

- in structuring the activities of the Pricing Directorate, drawing to the greatest extent possible on experiences in other developing countries that have undertaken economic policy reforms similar to Morocco's current efforts;

- structurer les activités de la Direction des Prix, en tirant le plus grand parti possible des expériences des autres pays en développement qui ont entrepris des réformes de politique économique similaires aux efforts actuellement mis en oeuvre par le Maroc;

- in translating key issues identified as priority targets for economic policy analysis into analytically tractable questions;

- traduire les problèmes-clés identifiés comme étant des objectifs prioritaires pour l'analyse de la politique des prix sous forme de questions pouvant être traitées de manière analytique;

- in examining the adequacy of existing data and data sources for the required analysis, and in exploring -- generally in conjunction with other departments of the Government of Morocco -- options for improving the empirical basis for economic policy analysis;

- examiner si les données existantes et les sources de données pour l'analyse requise sont appropriées, et explorer -- généralement en collaboration avec les autres départements du Gouvernement du Maroc -- les options devant permettre d'améliorer la base empirique de l'analyse de la politique économique;

- in designing and conducting the analyses on either an ad-hoc basis (responding to specific information requests), or on a periodic basis, as appropriate;

- concevoir et réaliser les analyses soit sur une base ad-hoc (pour répondre à des demandes de renseignements spécifiques) ou sur une base périodique, comme il sera jugé à propos.

- in preparing reports and briefings for policy makers on the results of the economic policy analysis conducted by the staff of the Pricing Directorate;

- préparer des rapports et des briefings sur les résultats des analyses de politique économique réalisées par le personnel de la Direction des Prix pour les responsables politiques;

- in developing existing or new cooperative arrangements between the Pricing Directorate and institutions affected by pricing policies, including public enterprises as well as the private

- développer les conditions existantes ou nouvelles de collaboration entre la Direction des Prix et les institutions concernées par la politique des prix, entreprises publiques et

sector;

- in assessing the short-term training and experiential requirements of the staff of the Pricing Directorate, and in identifying or organize appropriate training courses, internships, and the like; and

- in organizing data monitoring and reporting mechanisms allowing the Pricing Directorate to obtain information on a regular basis from other Ministries, public and private enterprises, and from local and regional bodies.

The resident advisers will play a key role in providing access to policy-relevant information from sources abroad, both from the U.S. and other countries. They will also help identify suitable short-term advisers for specific problems, arrange for their visits and supervise their work in the field.

The technical assistance financed under the present subproject will include up to 72 person-months of resident technical advisers, and about 19 person-months of short-term advisers.

b. Training and practical experience for the staff of the Pricing Directorate (approximately \$ 277,000). The educational background and professional experience of the current staff members of the Pricing Directorate suggest that the training component of the Pricing Policy Subproject will stress short-term training and internships in the U.S., Morocco, and -- if appropriate -- in third countries as well. Training activities include English-language training which USAID is currently financing under the Sector Training Project (608-0178) for the staff of the Pricing Directorate.

secteur privé compris; et

- déterminer les besoins en formation de courte durée et en compétences du personnel de la Direction des Prix, et identifier ou organiser les programmes, stages, et autres activités de formation appropriées; et

- mettre au point des mécanismes de suivi et de communication des données permettant à la Direction des Prix d'obtenir régulièrement des informations des autres Ministères, des entreprises publiques et privées, et des organismes locaux et régionaux.

Les conseillers résidents joueront un rôle clé en donnant l'accès à des renseignements relatifs aux questions politiques provenant de source étrangère, aussi bien des Etats-Unis que d'autres pays. Ils aideront également à identifier des conseillers pour des missions de courte durée concernant des problèmes spécifiques, à organiser leur venue et superviser leurs travaux sur place.

L'assistance technique financée au titre du présent sous-projet comprendra jusqu'à 72 mois-personne d'assistance technique de longue durée et environ 19 mois-personne d'assistance technique de courte durée.

b. Formation et expérience pratique pour le personnel de la Direction des Prix (environ 277,000 \$). Vu le niveau d'études et l'expérience professionnelle des membres actuels du personnel de la Direction des Prix, le volet formation du projet sur la politique des prix mettra l'accent sur des programmes de formation de courte durée et des stages aux Etats-Unis, au Maroc, et -- quand ce sera approprié -- dans des pays tiers également. La formation comprendra aussi les cours d'anglais actuellement financés par l'USAID pour le personnel de la Direction des Prix dans le cadre du Projet de Formation et Perfectionnement pour le Développement (608-0178).

The assessment of training/internship needs and the identification of appropriate opportunities will be the joint responsibility of the Pricing Directorate, the technical assistance contractor and USAID. The resident economic advisers, working closely with their parent institution(s), will arrange for any training or internships with relevant government or private-sector institutions. Administrative backstopping will be performed mainly by USAID in Morocco, and by the home office of the technical assistance contractor and AID/Washington in the U.S.

Any training in Morocco will consist largely of periodic seminars and workshops tailored to specific needs of the staff of the Pricing Directorate or focusing on specific policy issues. For some of these seminars and workshops, the participation of analysts from other departments of the Government of Morocco or from the private sector may be advisable or necessary. All training activities in Morocco will be conducted or arranged for and supervised by the resident technical advisers, with the help of short-term advisers.

Within the framework of this subproject, approximately 30 person-months of in-country, U.S., or third-country training will be financed by USAID.

c. Microcomputer equipment, analysis software and related expenses (approximately \$ 186,000). The microcomputer equipment, software and specialized introductory training for staff members of the Pricing Directorate furnished within the framework of the Pricing Policy Subproject is intended (a) to improve the data base management and analytical capabilities of the

La Direction des Prix, le contractant chargé de l'assistance technique et l'USAID devront conjointement déterminer les besoins en formation/stages et identifier les sources possibles et appropriées de formation. Les conseillers économiques résidents, en étroite collaboration avec l'institution (où les institutions) à laquelle ils appartiennent, organiseront les programmes de formation ou stages avec les institutions publiques ou privées appropriées. Le soutien administratif sera assuré principalement, au Maroc, par l'USAID et, aux Etats-Unis, par le siège du contractant chargé de l'assistance technique ainsi que par l'AID/Washingt.

Les activités de formation au Maroc se feront surtout sous forme de séminaires périodiques et d'ateliers de travail adaptés aux besoins spécifiques de la Direction des Prix ou traitant de questions particulières de politique économique. Pour certains de ces séminaires et ateliers de travail, la participation d'analystes d'autres départements du Gouvernement du Maroc ou du secteur privé pourrait être souhaitée ou même nécessaire. Toutes les activités de formation au Maroc seront dirigées, ou organisées et supervisées par les conseillers techniques résidents avec la collaboration des conseillers à mission de courte durée.

Au titre du présent sous-projet, l'USAID financera environ 30 mois-personnes de formation au Maroc, aux Etats-Unis ou dans des pays tiers.

c. Equipement micro-informatique, logiciel d'analyse et dépenses y afférent (environ 186.000 \$). L'équipement micro-informatique, le logiciel et la formation préliminaire spécialisée du personnel de la Direction des Prix octroyés dans le cadre du Sous-Projet sur la Politique des Prix sont destinés à (a) renforcer la gestion de la base de données et les compétences

Directorate for its work in price determination, relying more on market-oriented criteria, (b) to allow the analysts in the Pricing Directorate to perform economic policy analysis, using appropriate macro as well as microeconomic data and analysis tools, and (c) to prepare reports and briefings for policy makers.

The microcomputer hardware, software, and introductory staff training is covered under a Limited Scope Grant Agreement, signed July 22, 1985. This Agreement provides for five individual work stations and adequate peripheral equipment, as well as needed software and training in the use of this software. Additional software or hardware (including dedicated telephone lines for access to relevant data bases) may be specified and procured at a later point in time.

Within the framework of this Subproject, USAID will also finance the purchase of relevant documentation, such as textbooks and reports.

d. Evaluation. The Pricing Policy Subproject will be evaluated at two points in time, once approximately one year after the arrival of the resident economic advisers, and again toward the end of the Subproject. These evaluations will be conducted by an independent senior evaluation panel established to monitor overall progress and performance on the Economic Policy Analysis Project.

USAID's contribution will be provided as follows:

1. USAID will contract directly with the supplier of technical assistance services in the U.S., following regular AID contract solicitation and implementation procedures.

analytiques de la Direction des Prix pour lui permettre de réaliser son travail de fixation des prix en s'appuyant davantage sur des critères d'économie de marché, (b) permettre aux analystes de la Direction des Prix de réaliser des analyses de politique économique, en utilisant des données macro et microéconomiques et des outils d'analyse appropriés, et (c) préparer des rapports et des briefings destinés aux responsables politiques.

Le matériel micro-informatique, le logiciel et la formation préliminaire du personnel ont été fournis au titre de l'Accord de Don signé le 22 juillet 1985. Cet accord prévoit l'installation de cinq postes de travail individuels et de l'équipement périphérique approprié ainsi que la fourniture du logiciel et de la formation requise pour l'utiliser. L'acquisition du logiciel et matériel supplémentaires (y compris des lignes téléphoniques spéciales donnant accès aux bases de données appropriées) pourra être recommandé par la suite.

Dans le cadre du présent sous-projet, l'USAID financera également l'achat d'une documentation appropriée, tels que des manuels et rapports.

d. Evaluation. Le sous-projet de Politique des Prix sera évalué à deux reprises, la première fois un an environ après l'arrivée des conseillers résidents, et une deuxième fois à la fin du sous-projet. Ces évaluations seront menées par un haut comité d'évaluation indépendant créé pour suivre les progrès et les réalisations du Projet d'Analyse de la Politique Economique.

La contribution de l'USAID sera fournie comme suit:

1. L'USAID passera directement un contrat avec le fournisseur de l'assistance technique aux Etats-Unis, conformément à la procédure habituellement utilisée par l'AID en matière d'acquisition de services et de

2. USAID will purchase the microcomputer and related equipment directly. Documentation and technical publications will be procured by the technical assistance contractor in the U.S. or Morocco.

3. USAID will contract independently for the evaluations of the Pricing Policy Subproject.

### III. CONTRIBUTION OF THE GOVERNMENT OF MOROCCO

The Government of Morocco will contribute the time of the DP personnel to work full-time on the Pricing Policy Subproject. In addition, the Pricing Directorate will provide office space and secretarial support to the subproject. Finally, the cost of international travel of the staff of the Pricing Directorate for training abroad will be borne by the Government of Morocco. The total value of

the contribution of the Government of Morocco over the life of the subproject is estimated at \$658,000.

passation de contrat.

2. L'USAID se chargera directement de l'acquisition des micro-ordinateurs et de l'équipement y afférent. La documentation et les publications techniques seront achetées aux Etats-Unis ou au Maroc par le contractant chargé de l'assistance technique.

3. L'USAID passera un contrat séparé pour les évaluations du projet.

### III. CONTRIBUTION DU GOUVERNEMENT DU MAROC

La contribution du Gouvernement du Maroc comprendra le travail fourni à plein temps par le personnel de la Direction des Prix au sous-projet. En outre la Direction des Prix fournira des bureaux et des services de secrétariat pour le projet. Enfin, les frais de voyages internationaux du personnel de la Direction des Prix qui sera envoyé en stages à l'étranger seront pris en charge par le Gouvernement du Maroc. La valeur totale de la contribution du Gouvernement du Maroc pour toute la durée du Maroc du sous-projet est estimée à 658.000 dollars.

**Table 1**  
**Pricing Policy Subproject, Expenditure Distribution, USAID Grant**  
 (\$1,000, in current prices)

Expenditure Category	FY 85	FY 86	FY 87	FY 88	FY 89	Total
- Technical assistance	0	217	458	503	256	1,434
- Training	0	49	87	94	47	277
- Microcomputer & other direct costs	64	38	43	24	17	186
- Evaluation	0	0	33	0	44	77
<b>T O T A L</b>	<b>64</b>	<b>304</b>	<b>621</b>	<b>621</b>	<b>364</b>	<b>1,974</b>

**Pricing Policy Subproject, Expenditure Distribution, GOM Contribution**  
 (\$1,000, in current prices)

Expenditure Category	FY 85	FY 86	FY 87	FY 88	FY 89	Total
- Training	0	15	20	20	15	70
- Salaries	19	81	93	97	76	366
- Other direct costs	11	50	56	59	46	222
<b>T O T A L</b>	<b>30</b>	<b>146</b>	<b>169</b>	<b>176</b>	<b>137</b>	<b>658</b>

Tableau J  
Sous-projet  
de Politique des Prix  
Contribution de l'AID  
Répartition des dépenses  
(en milliers de dollars, au prix actuel)

Catégorie de dépenses	AF 85	AF 86	AF 87	AF 88	AF 89	Total
- Assistance Technique	0	217	458	503	256	1,434
- Formation	0	49	87	94	47	277
- Micro-ordinateur et autres coûts directs	64	38	43	24	17	186
- Evaluation	0	0	33	0	44	77
<b>T O T A L</b>	<b>64</b>	<b>304</b>	<b>621</b>	<b>621</b>	<b>364</b>	<b>1,974</b>

Contribution du gouvernement du Maroc  
Répartition des dépenses  
(en milliers de dollars au prix actuel)

Catégorie de dépenses	AF 85	AF 86	AF 87	AF 88	AF 89	Total
- Formation	0	15	20	20	15	70
- Salaires	19	81	93	97	76	366
- Autres coûts directs	11	50	56	59	46	222
<b>T O T A L</b>	<b>30</b>	<b>146</b>	<b>169</b>	<b>176</b>	<b>137</b>	<b>658</b>

APPENDIX E. CRITICAL ANALYSIS OF MOU

Appendix E  
Critical Analysis of Subproject Memorandum of Understanding

The Memorandum of Understanding is incomplete in two respects. In the text and first section of the Annex, the French language text differs consistently from the English on whether the Subproject is dynamic with a future orientation, or static with a catch-up orientation, in its Objectives, so the Moroccans may have different expectations from the Americans as to what constitutes satisfactory accomplishment. A similar misunderstanding has occurred in the proposed Bank al Maghrib subproject, according to interview there, so this represents a larger problem.

In the second section of the Annex, the on-going cost to the Moroccan budget is underestimated by neglecting to provide for maintenance and consumables, which is in the PROAG Section 4.2(b), but not in the MOU.

The degree to which the agreements reached between the GOM and USAID in the Memorandum of Understanding correspond to the goals and objectives of the Subproject is affected by the language of understanding of each signatory parties. The non-parallel text items together suggest that USAID understands that the function of the Direction des Prix (DP) is to be modified to permit it to undertake new activities which promote price liberalization, while the GOM agrees to improve the ability of the DP to fulfill those functions already modified under the SAP. The references which follow are to the MOU which appears in Appendix D.

The analysis below is not concerned with ideomatic differences in translation, or changes which clarify ambiguities in the English text.

In the Memorandum of Understanding, one word is added in the French text: "The purpose of the Pricing Policy Subproject is to assist the Pricing Directorate in meeting new responsibilities in economic policy analysis and advice." The French text reads "meeting its new responsibilities," or one-time adaptation to changes which have occurred; while the English is dynamic and refers to changes which are occurring (including those which will occur). The change is small but is supported in the Annex. These Annex changes are as follows:

Objectives of the Pricing Policy Subproject, Paragraph 1.

- (a) "Structural adjustment" is translated as "reform", a weaker interpretation of the role of price policy reform.
- (b) prices that remain regulated: "utility rates" becomes "public service tariffs", an acceptance of control.
- (c) "imply a changing role" becomes "different role".
- (d) The sentence "Specifically, the Pricing Directorate will play an important role in ensuring competition in deregulated markets" is not found in the translation.
- (e) "regulation for cases of natural or effective monopolies will have to continue" has a different nuance when the "have to" is absent in the French version.

(f) Paragraph 2 "to draw on expert assistance ... to address new issues" has more of a dynamic outlook than the French "address new problems".

Paragraph 3 and the list of tasks continues to differ greatly:

- (g) "The project to be supported by the USAID" does not have the same meaning as "the project financed...".
- (h) Task 2, "to develop its reputation as a central location for economic policy analysis and advice" is more interventionist than "... analysis and advice on questions of economic policy".
- (i) Task 3, "its understanding of the practical problems of implementing" is more pro-active than "... practical problems which are raised in the implementation of".
- (j) Task 3, last phrase: "by examining" is more active than "in studying".
- (k) Task 4, English "broader...constructs" relates to the narrower constructs used before, French "global constructs" is not operational.
- (l) Task 5 "examine[s] alternatives that may achieve the basic objective at lower costs", not "a substitute system".

In paragraph 4,

- (m) the subproject actively combines, rather than "is a combination of". The concept of "emerging tasks" is dynamic, unlike "new tasks".
- (n) the Project goal in English is measurable, against a successful transition of the Moroccan economy; in French it is against the incomplete process of succeeding toward, which is more difficult to measure.
- (o) The English in paragraph 6 has the primary emphasis the pursuit of the overall program goal, with the project purpose subordinated to it. The French "en poursuivant" reverses the emphasis. The project purpose includes "alternative" versus "substitute" (see also (l) above).
- (p) Paragraph 7 ("to achieve this purpose") the preparation of reports on issues and related matters "before the Government of Morocco" becomes "which will be presented to the GOM".
- (q) In the final paragraph of Part I the advisors are to be resident in Morocco but not necessarily in the project as the English version implies.

It is possible that readers of the French language text of the Memorandum of Understanding will understand that the Subproject is intended to raise the DP to its 1985 analytical requirement, but neither to serve as an agent for change nor to develop policy initiatives outside its classical role within the GOM.

APPENDIX F. ECONOMIC AND BENCHMARK DATA

Appendix F  
Economic and Baseline Data Tables

CONTENTS

<u>Table</u>	<u>Description</u>
1	Real Exchange Rate Indices of the Dirham
2	Evolution of Consumer Subsidies and Retail Prices 1980-1986
3	Financial Transactions of the Central Government 1984-1988
4	Functional Classification of Central Government Investment Expenditure 1980-1986
5	Current Subsidies to Public Enterprises 1980-1986
6	Capital Subsidies to Public Enterprises 1980-1986
7	Chronology of Liberalization of Import Barriers 1983-1987
8	Comparison of Import Policies, 1983 and 1986
9	Quantitative Restrictions on Imports 1983-1986
10	Distribution of Trade Taxes 1983-1986
11	Principal Characteristics of Industrial Firms, classified by market destination, 1985
12	Industry Specific Characteristics of Selected Export Sectors, 1985
13	Share of Value Added by State Owned Enterprises
14	Classification of Commodities by Status of Price Control, Oct. 1988

Table 1  
Real Exchange Rate Indices of the Dirham 1970-1986  
(1980 = 100)

Year	Nominal Effective Rate	French Franc <sup>a/</sup>	Saudi Riyad	Spanish Peseta	German Mark	Italian Lira	U.S. Dollar Rate	Real Effective Rate <sup>a/</sup>
1970	97.5	109.5	73.2	93.7	94.6	102.9	128.6	109.8
1971	96.5	107.4	73.4	95.7	99.0	102.7	127.3	106.9
1972	97.9	110.0	74.2	98.6	99.3	101.4	118.6	106.1
1973	99.6	108.8	73.5	91.3	96.1	90.3	102.1	103.9
1974	97.2	112.3	80.4	94.0	97.2	98.4	104.7	105.1
1975	99.2	106.3	97.6	92.1	95.7	95.1	102.3	102.9
1976	100.3	106.9	133.7	93.5	101.2	96.4	111.8	102.6
1977	99.9	98.0	133.0	88.2	100.6	94.6	105.9	104.1
1978	100.2	95.3	116.2	87.1	100.7	91.3	97.6	105.1
1979	100.8	98.1	102.6	97.7	99.1	92.3	94.1	104.0
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	93.7	97.1	112.9	100.3	96.9	98.2	122.0	92.3
1982	92.5	92.9	115.1	98.3	99.3	97.6	129.3	90.3
1983	89.6	95.8	124.9	94.6	105.3	105.0	144.0	84.3
1984	82.8	99.2	131.9	103.3	106.0	109.1	160.7	79.5
1985	78.4	105.5	129.3	109.9	109.2	112.4	166.7	74.2
1986 I	73.3	119.4	113.4	112.1	118.7	118.4	144.0	71.4
1986 II	72.9	117.3	105.9	112.1	118.1	116.5	136.5	71.7
1986 III	72.2	121.1	100.2	-	122.5	-	132.3	70.8
1986 IV	72.1							69.8
1987	72.7							69.2

a/ Basket with multilateral trade weights based on the geographical pattern of trade including third market effects; a decrease indicates a depreciation.

b/ Until 1973, the exchange rate between the dirham and the French franc was fixed but has been adjusted periodically since then.

Source: World Bank estimates based on IMF Statistics

Table 2  
Evolution of Consumer Subsidies and Retail Prices 1980-1986

	1980	1981	1982	1983	1984	1985	1986
<b>Sugar</b>							
1. Quantities subsidized ('000 tons)	624	600	600	620	631	650	694
2. Cost per unit (DH/kg) <u>1/</u>							
Sugar cubes	3.5	4.9	4.1	4.3	4.2	4.3	4.4
Powdered sugar	2.9	4.3	3.5	4.2	4.4	4.4	5.3
3. Retail price (DH/kg)							
Sugar cubes	2.9	3.5	3.5	4.1	4.1	4.2	4.5
Powdered sugar	2.2	2.8	2.8	2.8	2.9	3.0	3.4
4. Subsidy per unit (DH/kg)							
Sugar cubes	0.7 )	1.49 )	0.65 )	0.23	0.2	0.1	-0.1
Powdered sugar	)	)	)	1.36	1.5	1.3	1.9
5. Subsidy as percent of cost per unit							
Sugar cubes	19.0	30.2	15.9	5.4	4.3	2.3	-1.6
Powdered sugar	23.3	34.7	8.8	32.7	35.1	30.7	35.0
6. Amount of subsidies (in millions of dirhams)	416	896	390	347	355	338	335
<b>Edible oil</b>							
1. Quantities subsidized ('000 liters)	180	198	180	190	203	200	209
2. Cost per unit (DH/liter) <u>1/</u>	5.5	5.6	5.7	7.6	9.3	10.1	8.7
3. Average selling price (DH/liter)	4.0	4.6	4.6	6.0	6.0	6.3	7.0
4. Subsidy per unit (DH/liter)	1.0	1.0	1.1	1.6	3.3	3.7	1.7
5. Subsidy as percent of cost per unit	20.3	17.6	18.7	20.6	35.1	58.9	21.7
6. Amount of subsidies (in millions of dirhams)	268	247	213	296	660	745	347
<b>Flour</b>							
1. Quantities subsidized ('000 tons)	1,600	1,728	1,680	1,716	1,159	1,787	1,824
2. Cost per unit (DH/ton) <u>1/</u>							
Low quality	1,206	1,430	1,569	1,775	2,090	2,160	2,230
High quality	1,556	1,830	1,910	2,480	2,640	2,680	2,900
3. Retail price (DH/ton)							
(soft wheat)							
Low quality	100	1,200	1,200	1,200	1,200	1,280	1,450
High quality	1,350	1,600	1,600	2,160	2,250	2,430	3,000
4. Subsidy per unit (DH/ton)							
Low quality	206 )	230 )	310 )	575	890	882	780
High quality	)	)	)	320	390	250	-550
5. Subsidy as percent of cost per unit							
Low quality	17.1	16.1	23.5	32.4	42.6	40.7	35.0
High quality	15.3	12.6	16.2	12.9	14.8	9.3	-19.0
6. Amount of subsidies (in millions of dirhams)	430	485	520	922	950	1,426	988
Subtotal of consumer subsidies on food products (in millions of dirhams)	1,114	1,628	1,123	1,565	1,965	2,510	1,670
<b>Other consumer subsidies on foodstuffs (in millions of dirhams)</b>							
Milk	47	20	--	--	--	--	--
Butter	24	78	167	94	--	--	--
Total food subsidies (in millions of dirhams)	1,185	1,726	1,290	1,659	1,965	2,510	1,670
<b>Other subsidies (in millions of dirhams)</b>							
Fertilizers <u>2/</u>	130	197	...	...	...	...	...
Oil products	151	182	855	505	190	--	--
Other net subsidies	-39	-3	-145	...	...	...	...
Total subsidies (in millions of dirhams)	1,427	2,102	2,000	2,168	2,155	2,510	1,670

Source: IMF based on Ministry of Finance Statistics

1/ Sum of retail prices and subsidies per unit.

2/ Since 1982 subsidies on fertilizers are administered directly by OCP.

Table 3  
Financial Transactions of the Central Government 1984-1988  
Before Debt Relief

	1984	1985	1986	1987	1988	
					Third review <sup>1/</sup>	Program
(In millions of dirhams)						
Total revenues	23,469	26,746	29,150	32,972	37,430	41,059
Tax revenue (excluding OCP) <sup>2/</sup>	20,971	23,161	23,876	26,107	30,325	31,780
Nontax revenue (excluding OCP)	1,196	1,629	1,315	1,554	2,135	3,157
Petroleum levy	—	—	3,771	4,669	4,270	5,182
Phosphate company (OCP)	1,302	1,956	188	642	700	940
Total expenditure	36,044	39,204	37,386	42,143	45,430	48,559
Current expenditure	26,960	29,899	31,764	31,928	35,660	37,416
Goods and services	17,093	18,484	21,153	22,143	24,555	25,291
Interest	6,834	8,066	9,180	9,153	10,355	10,485
Domestic	(1,332)	(1,927)	(2,738)	(2,987)	(3,585)	(3,715)
External	(5,502)	(6,139)	(6,442)	(6,166)	(6,770)	(6,770)
Consumer subsidies	3,033	3,349	1,431	632	750	1,640
Capital expenditure	9,084	9,305	5,622	10,215	9,770	11,143
Local authorities	(...)	(950)	(978)	(1,600)	(2,085)	(2,085)
Other	(9,084)	(8,355)	(4,644)	(8,615)	(7,685)	(9,058)
Overall surplus/deficit (-) on a payment order basis	-12,575	-12,458	-8,236	-9,171	-8,000	-7,500
Variations in net government arrears (increase +)	3,514	1,353	-544	-623	-2,000	-2,500
Overall surplus/deficit (-) on a cash basis	-9,061	-11,105	-8,780	-9,794	-10,000	-10,000
Financing	9,061	11,105	8,780	9,794	10,000	10,000
Foreign financing	6,923	4,884	1,192	2,511	3,685	3,715
Foreign grants	139	2,508	140	—	—	—
Foreign borrowing (net)	-1,905	-4,831	-11,601	-7,385	-2,262	-2,232
Drawings	(6,363)	(5,071)	(5,026)	(5,296)	(7,500)	(7,530)
Amortization	(-8,268)	(-9,902)	(-16,627)	(-12,681)	(-9,762)	(-9,762)
Debt relief	8,689	7,207	12,653	9,896	5,947	5,947
Domestic sources	2,138	6,221	7,588	7,283	4,490	4,460
Banking system	(2,166)	(4,490)	(4,635)	(2,225)	(2,500)	(2,500)
Nonbank (including PERL bonds) <sup>2/</sup>	(-28)	(1,731)	(2,953)	(5,058)	(1,990)	(1,960)
Financing gap	—	—	—	—	1,825	1,825
Current balance (payment order basis)	-3,491	-3,153	-2,614	1,044	1,770	3,643
(In percent of GDP; 1980 basis)						
Revenue	21.2	21.2	20.5	21.9	22.4	24.5
Expenditure	32.6	31.1	26.4	28.0	27.1	29.0
Current	24.4	23.7	22.4	21.2	21.3	22.3
Capital	8.2	7.4	4.0	6.8	5.8	6.6
Current balance (payment order basis)	-3.2	-2.5	-1.8	0.7	1.1	2.2
Overall deficit (payment order basis)	-11.4	-9.9	-5.8	-6.1	-4.8	-4.5
Overall deficit (cash basis)	-8.2	-8.8	-6.2	-6.5	-6.0	-6.0
Net foreign financing	6.3	3.9	0.8	1.7	3.3	3.3
Domestic bank financing	2.0	3.6	3.3	1.5	1.5	1.5

Source: IMF based on Ministry of Finance Statistics

<sup>1/</sup> Under the previous stand-by arrangement.

<sup>2/</sup> OCP, phosphate company; PERL, public enterprise rehabilitation loan.

Table 4  
Functional Classification of Central Government  
Investment Expenditure 1980-1986

	1980	1981	1982	1983	1984	1985	1986
(In millions of dirhams)							
General public services	1,869	1,481	2,125	1,068	734	1,244	3,553
Public order	165	133	142	108	364	491	548
Education	545	791	986	681	812	609	1,138
Health	103	118	179	72	110	129	115
Housing	94	144	208	223	149	220	227
Recreation, cultural affairs, etc.	52	90	437	197	55	43	17
Agriculture	940	1,387	1,070	971	1,043	771	1,330
Mines and energy	362	331	445	542	648	719	563
Transport and communications	1,579	2,309	3,490	2,933	1,818	2,027	3,190
Other economic services	90	103	290	304	81	116	132
Unallocable	1,181	1,085	1,312	651	966	1,061	1,341
Total	6,980	7,972	10,684	17,750	6,780	7,430	12,154
(Annual change in percent)							
General public services	...	-20.8	43.5	-49.7	-31.3	69.5	185.6
Public order	...	-19.4	6.8	-23.9	237.0	34.9	11.6
Education	...	45.1	24.7	-30.9	19.2	-25.0	86.9
Health	...	14.6	51.7	-59.8	52.8	17.3	-10.9
Housing	...	53.2	44.4	7.2	-33.2	47.7	3.2
Recreation, cultural affairs, etc.	...	73.1	385.6	-54.9	-72.1	-21.8	-60.5
Agriculture	...	47.6	-22.9	-9.3	7.4	-26.1	72.5
Mines and energy	...	-8.6	34.4	21.8	19.6	11.0	-21.7
Transport and communications	...	46.2	51.1	-16.0	-38.0	11.5	57.4
Other economic services	...	14.4	181.6	4.8	-73.4	43.2	13.8
Unallocable	...	-8.1	20.9	-50.4	48.4	9.8	26.4
Total	...	14.2	34.0	-27.5	-12.5	9.6	63.6
(In percent of GDP)							
General public services	2.7	1.9	2.4	1.1	0.7	1.0	2.6
Public order	0.2	0.2	0.2	0.1	0.3	0.4	0.4
Education	0.8	1.0	1.1	0.7	0.8	0.5	0.8
Health	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Housing	0.1	0.2	0.2	0.2	0.1	0.2	0.2
Recreation, cultural affairs, etc.	0.1	0.1	0.5	0.2	0.1	—	—
Agriculture	1.3	1.8	1.2	1.0	1.0	0.6	1.0
Mines and energy	0.5	0.4	0.5	0.6	0.6	0.6	0.4
Transport and communications	2.3	3.0	3.9	3.1	1.7	1.7	2.4
Other economic services	0.1	0.1	0.3	0.3	0.1	0.1	0.1
Unallocable	1.7	1.4	1.5	0.7	0.9	0.9	1.0
Total	9.9	10.4	11.9	8.2	6.5	6.2	9.0

Source: IMF based on Ministry of Finance Statistics

Table 5  
Current Subsidies to Public Enterprises  
1980-1986

(In millions of dirhams)

	1980	1981	1982	1983	1984	1985	1986
ORMVA	213	250	225	214	225	215	196
Centres de travaux	95	126	131	122	123	143	139
ONP	5	5	5	6	4	4	4
ONEP	5	5	—	—	—	—	—
ODI	8	8	8	8	8	—	—
ONMT	4	21	17	14	4	4	10
Other <u>1/</u>	153	176	207	250	258	381	435
Total	<u>483</u>	<u>591</u>	<u>593</u>	<u>614</u>	<u>622</u>	<u>747</u>	<u>784</u>

Source: World Bank, Ministry of Finance

1/ Excluding subsidies to the Caisse de Compensation, ONICL, and the Caisse Marocaine des Retraites.

Table 6  
Capital Subsidies to Public Enterprises  
1980-1986

(In millions of Dirhams)

	1980	1981	1982	1983	1984	1985	1986
AUC	—	—	—	—	—	—	10
BRPM	22	27	114	79	88	108	120
CADETAF	—	—	—	—	—	—	2
CCM	7	—	2	1	1	2	6
CDER	—	—	—	—	—	—	20
Centres de Travaux	80	87	36	105	92	114	—
INRA	—	—	—	—	—	—	6
OAC	—	—	—	—	—	—	14
ODI	—	—	1	—	—	—	—
ONAREP	—	—	—	—	—	—	220
ONCF	266	381	651	428	300	719	515
ONE	261	180	230	190	270	190	198
ONEP	90	212	573	340	320	230	190
ONMT	15	11	40	35	65	66	65
ONP	4	10	—	7	7	16	10
ORMVA	534	836	575	479	545	600	356
Other	60	87	114	360	294	254	—
Total	<u>1,339</u>	<u>1,831</u>	<u>2,336</u>	<u>2,024</u>	<u>1,982</u>	<u>2,299</u>	<u>1,731</u>

Source: World Bank, Ministry of Finance

Table 7:  
Chronology of Liberalization of Import Barriers  
1983-1987

<u>Year</u>	<u>Barrier:</u>	<u>Activity*</u>
1983	<u>Non-tariff:</u>	Transfer from List B to List A of raw materials and spare parts not produced in Morocco.
	<u>Tariff:</u>	(No liberalization).
1984	<u>Non-tariff:</u>	Same, continued.
	<u>Tariff:</u>	Reduction of Special Import Tax (SIT) from 15% to 10%;
		Reduction of maximum Customs Duty (CD) to 100%.
1985	<u>Non-tariff:</u>	Same, continued.
	<u>Tariff:</u>	Reduction of the SIT to 7.5%;
		Reduction of maximum CD to 60%.
1986	<u>Non-tariff:</u>	Same, continued. List C abolished.
	<u>Tariff:</u>	Reduction of maximum CD to 45%;
		Replacement of sales tax by VAT with rate increase from 17% to 19%;
		Introduction of interest-free 25% prior import deposit;
		Selective use of reference prices.
1987	<u>Non-tariff:</u>	Liberalization of an additional 332 tariff items.
	<u>Tariff:</u>	Reduction of SIT to 5%;
		Increase all customs duties below 42.5% inclusive by 2.5 percentage points.

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Explanation of terms:

- List A: Import freely without prior authorization.  
List B: Import only if authorized by interministerial commission; no ex-ante quota but quantity authorized depends on local production and total demand.  
List C: Prohibited import unless special permission accorded by interministerial commission.

Source: World Bank (1988).

95

Table 8  
Comparison of Import Policies, 1983 and 1986

<u>Type of Import Barrier</u>	<u>1983</u>	<u>1986</u>
Coverage of NTB's		
- Tariff lines	100%	33%
- Value of imports	100%	14%
Range of CDs	0%-400%	0%-45%
Rate of SIT	15%	7.5%
Rate of SD	10%	10%
Rate of VAT	17% <u>a/</u>	19%

a/ Corresponds to the previous turnover tax.

Source: World Bank

Table 9  
Quantitative Restrictions on Imports 1983-1986

Sector (ISIC)	Share of Sector Position a/ in B/C Lists (%)				Average Customs Duty Unweighted (%)				Share of Sector Imports b/ in B/C Lists (%)				Production Million DM 1985
	1983	1984	1985	1986	1983	1984	1985	1986	1983	1984	1985	1986	
Agriculture (Net of Wheat)	67.0	61.5	57.6	51.7	16.0	21.8	27.7	24.5	82.8	14.0	12.8	10.4	
Mining (Net of Oil)	90.0	73.4	73.4	13.7	6.9	17.2	12.5	12.9	99.4	0.3	0.3	0.1	
Manufacturing of which:	47.0	45.6	39.0	31.8	43.3	49.3	40.1	35.1	38.9	22.8	20.0	15.8	
Food Processing	87.0	80.9	78.4	75.8	63.9	73.9	44.9	35.9	47.7	6.6	4.3	9.3	16346
Beverage	100.0	100.0	100.0	100.0	125.4	95.3	57.0	43.3	100.0	5.9	100.0	100.0	1582
Tobacco	0.0	0.0	0.0	0.0	--	--	--	--	0.0	0.0	0.0	0.0	1563
Textiles	78.0	77.0	77.0	53.8	47.1	48.8	42.0	41.5	10.3	8.3	9.5	4.8	6690
Wearing Apparel	98.0	98.5	98.0	98.5	57.9	75.6	59.5	44.8	83.1	63.3	66.6	83.3	1664
Leather	84.0	92.3	22.0	20.9	26.3	26.3	38.0	35.0	27.0	25.7	17.8	11.7	698
Footwear	100.0	100.0	100.0	100.0	141.7	96.6	60.0	45.0	100.0	100.0	100.0	100.0	718
Wood, Cork Products	87.0	75.6	82.0	68.1	30.7	22.8	38.9	35.9	57.4	48.4	44.6	39.1	1324
Paper Products	93.0	82.5	0.0	0.0	33.0	34.6	--	--	91.9	80.3	0.0	0.0	1969
Printing and Publishing	30.0	24.3	0.0	0.0	39.1	42.2	--	--	1.4	0.0	0.0	0.0	1003
Industrial Chemicals	9.0	4.9	2.3	1.1	21.3	36.2	16.1	10.3	29.5	8.8	8.3	0.7	7044
Other Chemical Products	33.0	24.7	24.4	22.4	33.9	32.1	25.2	22.4	42.0	40.0	39.1	33.3	3050
Petroleum Refinery	100.0	100.0	100.0	100.0	10.0	10.0	10.0	10.0	100.0	100.0	100.0	100.0	--
Petroleum and Coal Products	43.0	42.6	42.6	42.6	7.2	7.2	6.7	6.7	99.0	98.5	96.1	89.2	--
Rubber Products	40.0	39.7	39.0	17.2	31.1	31.1	31.5	33.8	33.3	30.9	29.6	15.5	655
Plastic Products	88.0	88.0	0.0	0.0	67.8	75.0	--	--	41.2	10.0	0.0	0.0	749
Ceramics	87.0	86.2	72.4	34.5	51.4	41.8	46.7	45.0	92.1	93.5	10.8	21.2	382
Glass	24.0	24.5	22.0	2.4	88.1	76.5	53.4	45.0	28.2	25.3	30.0	2.0	216
Other Non-Met. Min. Prod.	30.0	27.6	13.0	9.8	37.3	46.5	20.3	19.5	18.0	38.1	11.3	3.5	4101
Fabricated Met. Products	40.0	40.2	25.3	12.4	43.6	42.4	38.5	26.1	92.2	28.1	17.8	12.2	5234
Non-Elect. Machinery	25.0	24.2	19.5	19.0	19.0	18.9	15.1	17.7	32.0	22.9	17.1	12.4	1396
Electrical Appliances	30.0	21.3	15.5	12.3	39.1	38.2	28.7	24.6	17.7	16.4	14.7	14.7	1821
Transport Equipment	47.0	48.9	48.6	48.6	23.7	24.0	22.7	23.2	37.1	27.2	51.6	25.6	2205
Scientific Equipment	7.0	5.2	4.1	0.6	37.1	40.0	47.1	30.0	3.5	1.4	1.9	0.8	80

a/ 6-digit CCCN Codes of the Tariff.

b/ Imports for the domestic market only (regime MC) with the exclusion of imports under temporary admission (regime AT) or Investment Code agreement (CI).

Source: Ministry of Industry, SINTIA Customs Files, World Bank

97



Table 11  
Principal Characteristics of Industrial Firms  
Classified by market destination, 1985

Markets Served	Number of Firms	Exports (DH Billion)	Production (DH Billion)	Value Added (DH Billion)	Employment (L) (('000))	Average Annual Wage (W) (DH '000)	VA (%)	W/L (%)	VA Prod. (%)
Domestic market only	3,247	-	32.2	8.7	115.1	28	76	37.1	27.0
Foreign and domestic	762	11.4	27.5	6.2	109.0	26	52	45.4	22.5
TOTAL	4,009	11.4	60.0	14.9	224.1	27	66	40.7	24.8

Table 12  
Industry Specific Characteristics  
of Selected Export Sectors, 1985

	(1) Number of Firms	(2) Exports (Billion DH)	(3) Production (Billion DH)	(4) Value Added (Billion DH)	(5) Average Wage (('000 DH)	(6) Employment	(7) Export/ Output 2/2	(8) VA/ Worker 4/6 (('000 DH)	(9) Wage Bill/ Value Added (%)
Canned fish	58	950	1,228	293	31	3,248	0.74	90.2	34.4
Canned vegetables	49	758	932	193	41	4,165	0.81	46.3	88.5
Yarns & fabrics	75	954	3,282	865	17	19,701	0.29	43.9	22.4
Carpets	33	285	360	766	9	6,039	0.79	12.5	71.5
Knitwear	48	375	526	141	13	6,864	0.71	20.5	63.3
Garments	189	1,363	1,555	414	11	21,546	0.88	19.2	57.2
Leather	79	559	918	214	21	6,715	0.61	31.8	65.9
Wood	3	122	126	23	29	621	0.97	37.0	54.0
Paper & pulp	4	207	1,020	283	42	2,008	0.20	126.0	29.8
Auto parts	18	143	819	197	35	2,304	0.17	85.0	40.9
Phosphates derivatives	10	4,403	5,875	579	38	5,092	0.75	114.0	33.0
Miscellaneous	196	1,282	10,589	2,954	43	30,697	0.12	96.0	44.7
TOTAL	762	11,406	27,560	6,232	26	109,000	0.41	57.0	45.4
	***	*****	*****	*****	**	*****	****	****	****

Source: Ministry of Industry and Foreign Trade, World Bank  
for Tables 11 and 12

Table 13  
Moroccan State-Owned Enterprises  
Share of Value Added

<u>Sector</u>	<u>1980</u>	<u>1982</u>
Construction and Public Works	0.4 %	0.5 %
Agriculture	2.8	2.1
Transport and Communications	25.9	25.9
Manufacturing Industry	25.9	32.0
Energy	54.3	51.1
Mining	91.3	85.3
TOTAL (Gross Domestic Product)	20.0 %	19.7 %

Source: World Bank (PERL)

Table 14  
Commodities with Prices Decontrolled

Table 14  
Status of Price Control as of 31 Oct. 1988

LISTE DES PRODUITS ET SERVICES DONT LES PRIX  
ONT ETE LIBERES

I. PRODUCTS WITH PRICES LIBERALIZED

LIBERATION TOTALE	: AUTO-REVISION	: COEF. MULTIP.	: AUTO-REVISION	: INDEXATION
			: & PRIX SOUTIEN	: COURS
			: A LA PRODUCC.	: MONDIAL
Matériel agricole	: Explosifs	: Tracteur	: Riz	: Tourteaux de soja
Fer à béton importé	: Piles sèches	: Médicaments importés		: Huiles lubrifiantes
Vin	: Eaux minérales	: Pièces détachées :		: Bitumes
Epices	: Produits métallurgiques	automobiles		: Saison pêche
Papeterie-carnets et recharges	: Vélos	: matériel et engins agricoles		: hauteurière
Cahiers 80 ft - ardoises	: Moteurs diesel	: matériel et engins de		: Paraffine et bougie
colle blanche pâte	: Cyclomoteurs	: travaux publics		
colle liquide	: Cahiers scolaires	: machines - outils		
Crayons noirs de luxe		: appareils frigorifiques		
Crayons de couleur de luxe		: appareils électro-ménagers		
Règles de luxe		: Lait en poudre		
Protège cahiers de luxe		: Lait concentré		
Ardoises de luxe				
Hôtels 5 étoiles				
Services et prestations de spa				
Glace à rafraichir				
Papiers et cartons				
Peintures et diluants				
Verre et vaisselle				
Produits de blé dur				
Pâtes alimentaires et				
couscous				
Concentré de tomates				
Confiture				
19 livres de primaire				
2 livres de secondaire				
importés				
Conças plastique				
Crayons de couleur Atlas et				
Canon d'Ache				
Règle en plastique 30 cm et				
17 cm				
Stylos à bille				
Stylos à bille				
Infusions de thé vert à la				
menthe				
Cuisinières et réchauds à gaz				
Téléviseurs couleur				
Véhicules utilitaires < 5 T				
Véhicules utilitaires > 5 T				
Véhicules de tourisme				
Véhicules militaires				
Alimentation				
Consignes gérées				
De consommation de thé vert				
et de thé noir				

Détergents	:	:	:	:	:
Café vert	:	:	:	:	:
Recevance téléphonique	:	:	:	:	:
Tarifs et prestations hôteliers :	:	:	:	:	:
toutes catégories	:	:	:	:	:
Cinéma	:	:	:	:	:
Pneumatiques sauf usage agricole:	:	:	:	:	:
Eau de Javel	:	:	:	:	:
Eau minérale gazeuse	:	:	:	:	:
Produits diététiques pour	:	:	:	:	:
nourrissons	:	:	:	:	:
Sacs de ciment	:	:	:	:	:
Réfrigérateurs	:	:	:	:	:
Emballages métalliques	:	:	:	:	:
Fromages fondus	:	:	:	:	:
Entrepôts frigorifiques	:	:	:	:	:
Transport aérien	:	:	:	:	:
Pâte à papier de cellulose	:	:	:	:	:
Carniers de 24 pages	:	:	:	:	:
Dixent CPA2	:	:	:	:	:
Matériel informatique	:	:	:	:	:
Prestations informatiques	:	:	:	:	:
Cartes statistiques	:	:	:	:	:
Lecture	:	:	:	:	:
Savon blanc extra pur	:	:	:	:	:
Savon blanc extra sec	:	:	:	:	:
Savon résineux	:	:	:	:	:

## II. PRODUCTS WITH PRICES PARTIALLY DECONTROLLED

LISTE "A"

ANNEXE 1

MARCHANDISES PRODUITS OU SERVICES	PRESENTATION DE CONDITION- NEMENT (LE CAS ECHEANT)	ELEMENT FIXE : (PRIX NET OU MARGE EN VALEUR ABSOLUE OU TAUX LIMITE DE MARQUE)	STADES AUX- QUELS LA FIXA- TION EST APPLIQUEE
Produits alimen- taires			
Céréales	en vrac ou en sac	prix net	A tous les stades de la commercialisation
Pain	en vrac	id	id
Farine	en vrac	id	id
Lait frais entier pasteurisé	vrac-berlin- gots bouteilles	prix net	id
Huiles alimentaires	vrac-bouteilles bidons	id	id
Graisses végétales	vrac-paquets boîtes	taux limite de marque ou prix net	sortie usine ou magasin importateur
Beurre	vrac-plaquettes	marque ou valeur absolue ou taux limite de marque ou prix net	A tous les stades de la commercialisation
Sucre	Sac-fardeau- caisse-carton	prix net	A tous les stades
Thé	paquet	id	id
TABACS			
tabac brut	vrac condi- tionné	prix net	id
Tabac manufacturé	paquet	id	id
HABITATION			
Electricité	Kwh	prix net	id
Eaux	m <sup>3</sup>	id id	id
BIENS ET BIENS			
Produits pharma- ceutiques	vrac condi- tionné	taux limite de marque ou prix	id

		net	
Alcool pur	Bombones-bouteilles - fûts	Prix net	id
<b>PRODUITS ENERGETIQUES</b>			
Combustibles solides	vrac	prix net	stade importa-
Combustibles liquides	vrac-bouteilles		teur distributeur
	fûts-badons	id	id
Combustibles gazeux	bouteilles	id	id
Lubrifiants	boîtes-bouteilles	id	id
Huiles minérales	id	id	id
Bitumes routiers	id	id	id
Bitumes oxydés	id	id	id
<b>LIBRAIRIE ET PAPERIE</b>			
Journaux quotidiens	vrac	prix net	à tous les
			stades
Livres scolaires	vrac	prix net ou taux	id
		limite de marque	
<b>PRODUITS ET ARTICLES POUR AGRICULTURE</b>			
Engrais	vrac-sacs	prix net ou taux	id
		limite de marque	
Semences	id	id	id
Plantes sélectionnées	vrac	prix net	id
Produits de traitement à usage agricole	conditionnés	prix net ou taux	id
		limite de marque	id
Produits à usage vétérinaire	id	id	id
<b>SERVICES</b>			
Honoraires médicaux		prix net	
Chirurgie dentaire		id	
Sejour en clinique		id	
Transport de produits et marchandises		id	
Transport de personne à l'exception de transport urbain		id	
Transport urbain de personnes à l'exception des taxis		id	
Conditionnement des produits agricoles		id	
Travaux agricoles rendus à l'entreprise		id	

Docks-silos	id
Pilotage dans les ports	id
ASSURANCES	
a) catégorie d'assurances obligatoires et garanties complémentaires aux assurances obligatoires des véhicules sur routes	fixation des tarifs primes sur primes et recettes accessoires (hors taxe)
b) autres catégories	Homologation des propositions de tarifs primes sur primes et recettes accessoires hors taxes
Analyses médicales	id
Annonces et insertion légales judiciaires et administratives	
Actes pratiqués par les sages femmes, infirmiers et infirmières du secteur privé	id

III. PRODUCTS WITH PRICES AND MARGINS  
FIXED AT THE LOCAL LEVEL

Liste "B" : ANNEXE 2

Comprend les marchandises, produits et services dont les prix et marges bénéficiaires sont fixés par les Gouverneurs de provinces et préfétures.

MARCHANDISES, PRODUITS OU SERVICES	PRESENTATION OU CONDITIONNEMENT (LE CAS ECHEANT)	ELEMENT FIXE : (PRIX NET OU MARGE EN VALEUR ABSOLUE OU TAUX LIMITE DE MARGE)	ETAPES AUXQUELS LA FIXATION EST APPLIQUEE
PRODUITS ALIMENTAIRES			
Graisses végétales	vrac-conditionné	prix net ou marge en valeur absolue	grossiste et le cas échéant, demi-grossiste
SERVICES			
Ambulances		prix net	
Pompes funèbres		id	id
Magasins généraux		id	
Taxis		id	

IV. PRODUCTS WITH PRICES CONTROLLED

1

DIRECTION DES PRIX

LISTE DES CATEGORIES DE PRODUITS DONT  
LES PRIX RESTENT ENCORE REGLEMENTES

Céréales - Pain - Farine

Lait frais pasteurisé

Huiles alimentaires - Graisses végétales - Beurre

Sucre

Thé

Tabacs

Electricité

Eaux

Produits pharmaceutiques

Alcool pur

Combustibles liquides

Combustibles solides

Combustibles gazeux

Lubrifiants

Huiles minérales

Bitumes routiers

Bitumes oxydés

Journaux quotidiens

Livres scolaires

Engrais

Semences

Plantes sélectionnées

Produits de traitement  
à usage agricole

Produits à usage vétérinaire

Honoraires médicaux

Chirurgie dentaire

Séjour en clinique

Transport de produits et marchandises

Transport de personnes à l'exception  
de transport urbain

Transport urbain à l'exception  
de taxi

Transport urbain de taxi

Conditionnement des produits agricoles

Travaux agricoles rendus à l'entreprise

Docks - silos portuaires

Pilotage et remorquage dans les ports

Assurances

Analyses médicales

Annonces et insertion légales,  
judiciaires et administratives

Actes pratiqués par les sages femmes,  
infirmiers et infirmières du secteur privé

108

APPENDIX G. SUBPROJECT SELECTION CRITERIA (PROAG - AUG 1985)

B. Subproject Selection Criteria

Subprojects will be funded under this project as follows:

In general all subprojects are expected to further the project goal by contributing to an increased market orientation of the economy including better conditions for private sector ownership and management of productive assets and a better overall economic climate in Morocco for investment and production. Greater reliance on the marketplace instead of direct government interventions to stimulate and balance the economy would lead to expanded production and employment in Morocco as well as to a more efficient allocation of resources. In particular each subproject must meet one of the criteria in Category A and all of the criteria in Category B.

B. Critères pour la Sélection des Sous-Projets

Des sous-projets seront financés dans le cadre du présent projet de la façon suivante:

En général, tous les sous-projets devront aider à atteindre le but du projet, en contribuant à orienter plus précisément l'économie sur les réactions du marché et améliorer les conditions permettant la possession et l'exploitation des biens productifs par des personnes privées, et améliorer aussi le climat général du Maroc pour l'investissement et la production. Si l'on se base plus sur les réactions du marché au lieu d'attendre les interventions de l'Etat pour stimuler et équilibrer l'économie, on arrivera à augmenter la production et l'emploi au Maroc, et aussi à allouer les ressources de façon plus efficace. En particulier, chaque sous-projet devra satisfaire à l'un des critères de la Catégorie A et à tous ceux de la Catégorie B.

## Category A:

1. Support for improved capability to develop sound economic policies:

Subprojects should enhance the institutional capabilities of Morocco in economic policy development and appraisal: to (a) collect and organize policy relevant data, (b) analyze the data for the purpose of reshaping or developing improved economic policies, and (c) formulate clearly and persuasively the conclusions and the net benefits of recommended alternatives, for consideration by Moroccan decision makers.

2. Subprojects must stress support to develop the informational and analytical base needed and usable by national level policy analysts to design and appraise economic policy alternatives and recommend specific policy options for decision makers to approve or modify. The development of information and analytical capabilities useful merely for understanding historical trends or for improving economic projections without relationship to specific policy measures would not be supported.

3. Support for improved efficiency in carrying out and managing economic functions: The inability of government departments to develop economically efficient budgets and their extremely slow pace in dealing with private sector partners and entrepreneurs has acted as a drag on the Moroccan economy. The poor performance of the GOM in managing its economic functions jeopardizes the success of economic policy reforms. Thus, the World Bank and other donors have emphasized the need for better planning and budgeting, for example. Subprojects are eligible for funding if they are designed to improve GOM institutional capabilities in performing functions directly linked

## Catégorie A:

1. Soutien à l'Amélioration des Moyens Permettant d'Elaborer des Politiques Economiques Saines: Les sous-projets devront perfectionner les capacités dont disposent les institutions du Gouvernement Marocain pour élaborer et évaluer des politiques économiques, soit (a) la collecte et l'organisation des données qui intéressent ces politiques; (b) l'analyse de ces données en vue d'une refonte des politiques économiques ou de l'élaboration d'une meilleure économie;

(c) une formulation claire et persuasive des conclusions et des avantages nets des solutions proposées, en vue de leur soumission à l'examen des décideurs marocains.

Les sous-projets devront mettre l'accent sur le soutien à apporter à l'élaboration de la base d'information et d'analyse dont les analystes de l'échelon national auront besoin et qu'ils seront en mesure d'utiliser pour concevoir et évaluer des solutions possibles et recommander des options particulières et les faire approuver ou modifier par les décideurs. L'élaboration de capacités d'information et d'analyse ne servant qu'à comprendre des tendances historiques ou à améliorer des prévisions économiques sans liens avec des mesures spécifiques de politique économique ne recevra, elle, aucun soutien.

2. Soutien à l'Amélioration de l'Efficacité dans l'Exécution et la Gestion des Tâches Economiques: Le fait que l'Administration ne soit pas en mesure d'élaborer des budgets qui soient efficaces d'un point de vue économique, et qu'elle mette énormément de temps à traiter avec ses partenaires et avec les industriels du secteur privé a joué le rôle d'un frein dans l'économie marocaine. Les mauvais résultats obtenus par elle dans la gestion de ses tâches économiques compromettent le succès des réformes de la politique économique. La Banque Mondiale et d'autres bailleurs de fonds ont donc souligné la nécessité d'une meilleure planification, et d'une meilleure

out economic policy reform.

élaboration des budgets, par exemple. Les sous-projets seront susceptibles d'être financés s'ils sont conçus de façon à améliorer les capacités dont dispose le Gouvernement Marocain pour s'acquitter de tâches directement liées à la réforme de la politique économique.

Category B:

Catégorie B:

1. Market Orientation: Subprojects should contribute to the fullest extent feasible to increased market orientation and better conditions for private sector ownership and management of productive assets. Subprojects should be restricted to those key areas where Moroccan authorities have indicated a willingness to make significant economic policy changes leading towards greater reliance on the marketplace and where improved economic policies would be likely to lead to significantly increased overall production and employment, more efficient use of resources, and a more equitable distribution of goods and services.

1. Orientation Vers une Economie de Marché: Les sous-projets devront contribuer dans toute la mesure du possible à accentuer l'orientation vers une économie de marché et à améliorer les conditions qui permettront au secteur privé de posséder et d'exploiter les biens productifs. Ils devront se limiter aux domaines-clés où les autorités marocaines se sont déclarées disposées à procéder à des changements de la politique économique conduisant à donner plus d'importance aux réactions du marché, et là où une amélioration des politiques économiques serait susceptible d'entraîner une augmentation considérable de l'ensemble de la production et de l'emploi, une plus grande efficacité dans l'utilisation des ressources, et une plus grande équité dans la répartition des biens et services.

2. Lasting impact and linkages: Subprojects should show clear indications of lasting impacts on institutional capabilities in economic policy. This criterion requires that the counterpart institution has the relevant authority, that it is adequately positioned within the bureaucracy and linked to other institutions with related responsibilities, and that the proposed counterpart staff has sufficient qualifications for performing the proposed functions, and for taking advantage of any training. Moreover, preference will be given to subprojects which build on or reinforce other USAID-financed activities. In addition the proposal should demonstrate linkages with other relevant GOM agencies and policy makers and plans for dissemination and use of information and

2. Effet Durable et Articulations du Projet: Les sous-projets devront donner une indication claire des effets durables qu'ils auront sur les moyens dont dispose le Gouvernement en matière de politique économique. Ce critère exige que l'organisme concerné dispose des pouvoirs appropriés, qu'il occupe dans la hiérarchie la position qui convient, qu'il soit en rapport avec d'autres organismes s'acquittant de tâches apparentées, et que le personnel dont il disposera possède les qualifications nécessaires pour accomplir les tâches prévues et tirer profit de toute formation dispensée. En outre, une préférence sera accordée aux sous-projets qui compléteront ou renforceront d'autres activités financées par l'USAID. Ils devront en outre démontrer que leur action s'articule sur celle d'autres organismes

analyses generated.

3. Other criteria:

a) Ineligible or inappropriate for financing through another AID project.

b) Demonstrated 25% GOM contribution

c) Must be completed by September 30, 1990.

d) Meet A.I.D. internal criteria for project approvals.

et décideurs du Gouvernement Marocain, et indiquer leurs plans pour la diffusion et l'utilisation de l'information et des analyses obtenues.

3. Autres Critères: Ils devront:

(a) ne pas être susceptibles de recevoir un soutien financier dans le cadre d'un autre projet de l'AID;

(b) comporter une contribution, d'au moins 25%, du Gouvernement Marocain;

(c) ne pas devoir durer au-delà du 30 Septembre 1990;

(d) satisfaire aux critères internes de l'USAID pour l'approbation des projets.

APPENDIX H. HARDWARE AND SOFTWARE PROVIDED

Appendix H  
Hardware and Software Provided by Project

Hardware:

Zenith PC computers, 8088-based:	5
Hard Disk Drives for same	5
Dot-matrix printers	5
Tape Backup Cards	5
Tape Backup Machine	2
Hard Disk Drive Cards	2
Zenith laptop computer	1
Text Scanner and Software	1
Photocopy machine	1

Software by function:

1. Word Processing:
  - Wordperfect 4.1, 5.0
  - Framework
  - Epsilon
  - VPlus
  - Wordstar
2. Spreadsheet:
  - Lotus 1-2-3
  - Framework
3. Database:
  - DBASE III, III+
4. Statistical and Numeric Methods:
  - Lotus 1-2-3
  - Micro TSP 5.0g
  - 1-2-3 Forecast
  - Statitcf
  - Gauss
5. Econometric and Simulation Modelling Packages:
  - Gams-Hercule
  - Sintiat
6. Graphics:
  - Microsoft Chart
  - Lotus Printgraph
  - Framework
  - Graph-in-a-Box
7. Utilities, Programming Languages, and Related:
  - Sideways
  - DOS Utilities
  - Harvard Total Project Manager
  - Sidekick
  - Wideview
  - Cruise Control
  - D.A.V.E.
  - Turbo Pascal
8. Disk and data management:
  - TCS-100
  - SQZ!
  - Norton Utilities 3.2, Advanced Edition
  - CopyIIPC
  - Copywrite
  - Disk Explorer
  - PC Tools
9. Tutorial:
  - DOS
  - Lotus 1-2-3
  - Typing Tutor
  - DBASE III+

APPENDIX I. ENGLISH LANGUAGE TRAINING (DP STAFF)

APPENDIX I  
English Language Training of DP Staff  
FORMATION EN ANGLAIS

<u>NOMS</u>	<u>DATE</u>	<u>NIVEAU INITIAL</u>	<u>NIVEAU ACTUEL</u>
KERFALI	1985	ADVANCED 1	POST PROFICIENCY
MOUNCIF		-	-
HILALI	1986	INTERMEDIATE 1	INTERMEDIATE 5
OMARI	1986	BEG. 2	INTERMEDIATE 5
GUEDIRA	1986	BEG. 1	BEG. 2
EL FTOUH	1986	INTERMEDIATE 3	INTERMEDIATE 3
BOUSSELMANE	1988	-	INTERMEDIATE 3
BAINA	1986	BEG. 4	INTERMEDIATE 3
FAIK	1982	INTERMEDIATE 1	PROFICIENCY 5
SIRAJ		-	INTERMEDIATE
BELMAMOUNE	1986	INTERMEDIATE 1	ADVANCED 4

ALIGU

100 % Minimum level required to start Academic Study in the U.S.

70 % Minimum level required to be selected for academic study provided reaching the 100% after 6/9 months of English training.  
The person having 70% is ranked Advance 4/5. Can speak and understand.

Persons having less than 70% ALIGU are considered having low skills and need improvement to reach and adequate (listening/usage comprehension).

Generally speaking, during a social entertainment, Moroccans having 60% ALIGU can manage.

Intensive english courses after Proficiency (6 hours/day)	Aligu 80% / 100%
Proficiency	Aligu 55% to 75/80%
Advanced	Aligu 45% to 60%
Intermediate 1-2-3-4	Aligu 35% to 50%
Beginning 1-2-3-4	Aligu 25% to 40%

APPENDIX J. LIST OF CONTACTS

Appendix J  
Persons Contacted

Government of Morocco

1. Ministry of Economic Affairs

Moulay Zine ZAHIDI, Minister of Economic Affaires.  
Abdessamad GHAILANE, Cellule de la Cooperation [ex-DP]

1a. Direction des Prix, Ministry of Economic Affairs

Director: Mostafa FAIK  
Staff: Rachid BAINA, Hassan BOUSELHAM, Abdesselam EL FTOUH, Farid GUEDIRA,  
Mohamed HILALI, Ali KERFALI, Tahar MOUNCIF, Bahia OMARI, Lahbib SIRAJ  
University Researchers: Nasr HAJJI, Larbi JAIDI, Nekki ZOUAOURI  
Clerical: Fatima BOUKER, Halima GHERMANE

2. Other Subprojects Conceived Under Project

Mr. BENJELLOUN, Director, Training Department, Bank al Maghrib  
Ramdan EL OUASSINI, Director of Public Enterprises and Participations,  
Ministry of Finance  
Mostafa SAHEL, Directeur du Budget, Ministry of Finance.

3. Other Government

Mehdi ALAOUI, Director of Regulation and Price Control, Ministry of Interior  
and Information  
Omar EL BAHRAOUI, Director of Planning, Ministry of Plan [ex-Director of DP]  
Taib BENCHEIKH, Minister of Health [ex-Minister of Economic Affairs]  
Ahmed DACHEIK, Inspector of Finance, Cabinet, Ministry of Finance  
Mohamed DAIRI, Director of the Treasury and External Finance, Ministry of  
Finance  
Abdellatif FAOUZI, Director, Division de la monnaie et credit, Ministry of  
Finance  
Abdellatif GUEDIRA, Chief, Division de la production vegetale, Ministry of  
Agriculture and Agrarian Reform  
Fouzi MOURJI, Cellule de la Prevision, Ministry of Finance.  
Mohamed SAGOU, Director of the Cabinet, Ministry of Finance  
Ahmed ZEJLI, Chief of Economic and Financial Projection Service, Ministry of  
Plan

Moroccan Business Sector

Ben ABDERRAZIC, Representative, Goodyear-Maroc  
Omar AMRAOUI, Directeur General, Berliet-Maroc  
Omar AKALAY, Administrateur Directeur General, Societe Marocaine de Depot et  
Credit  
Abderrahmane BENNANI-SMAEREZ, President, Confederation Generale Economique  
Marocaine  
Mohamed EL BAZ, Directeur General, Industries Sucreries O.N.A. (COSUMAR).  
Mr. EL TIJANI, Directeur General, Office Nationale des Eaux Potables.

Agency for International Development

Charles Johnson, Mission Director, USAID Morocco  
Mouna Cherkaoui, Program Economist, USAID Morocco  
Daniel Kohler, Program Economist, USAID Morocco  
Kenneth Scofield, Program Officer, USAID Morocco  
James Smith, Program Economist, USAID Morocco

H.I.I.D./A.I.R.D.

Clive Gray, HIID Team Leader  
Alfred Saulniers, HIID  
Dwight Perkins, Director, HIID  
Dirck Stryker, President, AIRD

Donor Agencies

Antoun Moussa, World Bank/ITFUS

APPENDIX K. DOCUMENTS REVIEWED

Appendix K  
Documents Reviewed

I. PROJECT DOCUMENTS (Excluding purely administrative, minor logistical)

1. Case Studies and Long Papers

- A. Saulniers. "Consequences economiques de la production des bananes sous-serre au Maroc" (7/87).  
A. Saulniers. "Nationalisation/privatisation: bases d'une discussion" (paper presented at the Public Sector-Private Sector Conference held in Casablanca 31 March-2 April 1988).  
A. Saulniers. "La privatisation, un aboutissement et une reponse aux changements structurels de l'economie", Al Maghrib, 10 April 1988, pp. 8-9.  
C.S. Gray. "Quelques applications du tableau entrees sorties (T.E.S.) marocain de 1980." H.I.I.D. Development Discussion Paper No. 256, April 1988.  
A. Saulniers. "Deregulation du prix des boissons gazeuses" (7/88).  
C.S. Gray. "Antitrust as a component of policy reform--What relevance for economic development?" Paper prepared for HIID conference on "System Reform in Developing Countries", Marrakech, Morocco, 25-30 October 1988.

2. Short papers

"The socio-linguistics of price control in Morocco" (9/88)  
"Note concernant le bilan de la liberalisation" (3/88)  
Note d'information [monthly note], No 1-25 (9/86-9/88)--No 1 was prepared by advisors, No. 2 was a joint training exercise, Nos. 3-25 prepared by DP with supervision.

3. Pricing or Liberalization Studies:

Bread Prices (6/87)  
Sunflower production (rev. 10/88)

4. Methodology and Models (4 documents plus 2 notebooks in Computer Room)

5. Evaluation Work done by others (2 documents)

6. Other Studies (2 documents)

7. Semi-annual reports to USAID/Morocco (in French):

No. 1 17 December 1986  
No. 2 2 July, 1987  
No. 3 4 February, 1988  
No. 4 12 July, 1988

8. Communications (Concerning price liberalization; training, staff and recruitment; proposed work activities; and logistics. Excludes purely administrative, etc.)

To Minister of Economic Affairs: 20  
To Director of the Pricing Directorate: 11  
Outside Ministry, incl. USAID: 4  
Technical, analytical, training notes: 13

9. Other Project Documents Reviewed

Direction des Prix, "Fiche sur les prix des produits agricoles", 3 Nov. 1988.  
Ministry of Economic Affairs, Organization Chart  
Ministry of Economic Affairs, Pricing Directorate, Professional Staff  
Training Profile.

II. GENERAL BIBLIOGRAPHY

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\_\_\_\_\_. Morocco: Country development strategy statement (FYs 1987-1991). February, 1986.  
Bank al Maghrib. Rapport sur l'exercice 1987. December 1987.  
International Monetary Fund. Morocco--Recent economic developments. Nov. 16, 1987.  
\_\_\_\_\_. Morocco--Request for stand-by arrangement. August 2, 1988.  
[Morocco] Prime Minister, Projet de plan d'orientation pour le developpement economique et social 1988-1992. October, 1987.  
\_\_\_\_\_. Prime Ministerial Decree No. 3-108-87 (8 December 1987) pertaining to the Fund to support the services which regulate and control prices and security stocks (in French).  
Nelson, Eric R. "Mediterranean trade and investment: trade policy reform in Morocco and Tunisia." A.I.D., Washington, August 29, 1988.  
Sutton, Michael. Morocco to 1992: Growth against the odds. Economist Intelligence Unit Special Report No. 245, 1987.  
World Bank. Morocco: Industrial incentives and export promotion. 1984.  
\_\_\_\_\_. Morocco: CEM: Issues for a medium-term structural adjustment program. Report No. 6608-MOR. Jan. 30, 1987.  
\_\_\_\_\_. Kingdom of Morocco. Public enterprise rationalization loan. President's report. P-4545-MOR. April 30, 1987.  
\_\_\_\_\_. Morocco: The impact of liberalization on trade and industrial adjustment. Report No. 6714-MOR (3 volumes) March 15, 1988.  
\_\_\_\_\_. "Morocco: The structural adjustment program" (working document, undated (June-July 1988)).