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**FINAL REPORT**

**FINAL IMPACT EVALUATION OF THE  
EXPORT CREDIT INSURANCE COMPONENT  
OF THE PRIVATE SECTOR EXPORT  
PROMOTION PROJECT**

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## EXECUTIVE SUMMARY

### Background

1. USAID provided assistance to set up a private, independent export credit insurance company, the *Societe Marocaine d'Assurance a l'Exportation (SMAEX)*, from 1986 until December 1991, when the subproject ended. AID support consisted of \$1.2 million of technical assistance to help establish the new organization and an \$8.0 million loan to help capitalize it. SMAEX has been operating for 4 1/2 years, since January 1989.
2. All of the subproject's output indicators had been met by the time technical assistance ended in 1991, but the subpurpose target of insuring 20 percent of all private exports was not achieved. That level is unrealistic - 5 to 10 percent is common in similar organizations elsewhere - but the SMAEX record, now around 6 percent is not bad.
3. Export credit insurance is a necessary, but secondary, contributor to increasing exports. Production and marketing assistance through export catalysts like foreign investment, and pre-export financing usually have a greater impact.
4. Morocco's steady increase in exports over the past ten years is attributable to a number of concurrent factors including policy reform, trade liberalization, exchange rate devaluation, foreign investment - and perhaps also the availability of export credit insurance - but it is impossible to quantify the marginal increase which such insurance may have caused.
5. A mid-term evaluation in April 1990 made a number of recommendations for improving SMAEX's performance, notably in increasing its responsiveness to exporters' needs and marketing its services. These problems remain.

### Findings and Conclusions

#### A. The Role of SMAEX

1. *SMAEX has evolved considerably since it was established in 1989.*

SMAEX has the potential for playing a significant role in making Morocco's exports more competitive not only in the European Community but in new markets elsewhere.

There is a general consensus among bankers and exporters that an organization like SMAEX is a necessary element of an export promotion program.

2. *SMAEX has established itself well as an independent organization since it separated from the BMCE five years ago.*

3. *The impact of SMAEX constituted as a private independent entity has certainly been greater than it would have been if export credit insurance had continued to be offered by only one of the banks.*

As an independent organization SMAEX is able to offer its services to clients of all of the banks and therefore is able to provide insurance to the full range of exporters operating in different sectors.

Perhaps even more important is the increased financing available to exporters because now all banks can offer to discount export related commercial paper covered by SMAEX insurance.

4. *Although SMAEX is a private entity, it is also a relative monopoly - now the only supplier of export credit insurance in Morocco - with the result that the usual incentives of competition do not contribute to improving its performance.*

Despite its private, independent status, it is not clear to the team that SMAEX has developed an internal operating culture similar to the cultures one expects to find in private sector companies as compared to government agencies. For example, there appears to be little room for initiative or independence in the current SMAEX culture. Decision-making appears to be highly centralized.

5. *SMAEX insurance coverage is heavily concentrated on textiles (64 percent of its insurance portfolio), firms in Casablanca (70 percent), and exports to the European Community (89 percent). It appears to give low priority to helping exporters penetrate new markets outside Europe, perhaps because it has little information on countries and buyers in these markets.*
6. *Thus far SMAEX has not contributed as much as it might to helping explore new markets outside the EC.*

Without a greater degree of export credit insurance, some exporters will likely continue to export to the known, secure markets of Europe which entail little risk and small profit margins, rather than seek greater profits in expanding their exports to new, perhaps riskier markets in the Near East, Africa and elsewhere as well as in Europe.

## **B. Views of SMAEX**

1. *Perceptions of Bankers in Casablanca*

In the view of some of the bankers and exporters interviewed, many exporters are not informed about SMAEX's services.

The banks interviewed generally felt that SMAEX provides a useful service. They have been quicker to understand and to use SMAEX cover than many exporters.

Some banks in Casablanca have the impression that SMAEX dropped its marketing efforts after 1991 and has taken part in fewer bank-sponsored seminars and workshops during the past year than they did previously.

2. *Perceptions of Exporters Interviewed*

Some of the exporters expressed their satisfaction with SMAEX, citing the utility of its services both as a source of cover for credit risk as well as a tool for obtaining increased credit from the banks.

SMAEX has succeeded in shortening the time for processing and acting upon applications. The average response time has dropped steadily from 37 days in 1989 to 13 days in 1991 and 1992.

Exporters and bankers criticized SMAEX's six-month claims payment period as unnecessarily long.

Some exporters believe SMAEX is as unwilling to assume risk as banks, and that this degree of risk-aversion is not helpful in assisting exporters to expand their markets.

Some exporters are disappointed by SMAEX's often unexplained rejections of their applications.

Often rejections or partial approvals were received when the importer was in a country other than one of the traditional European markets.

Some exporters commented that SMAEX is "bureaucratic," "administratively heavy and slow," "too hierarchical," and "arbitrary."

Exporters did not seem to feel that SMAEX premiums and other charges were too high.

3. *SMAEX does help exporters secure bank financing for credit sales overseas, and thus contributes indirectly to expanding exports.*

Perhaps the greatest single contribution made by SMAEX to increasing Moroccan exports has been indirect.

4. *Sometimes SMAEX discourages exports by rejection of coverage.*

Rather than encouraging exports SMAEX actions may in fact sometimes have the opposite effect. Several of the exporters interviewed said that when SMAEX has refused coverage for which they have applied they have been more cautious in extending credit terms to the buyer in question despite previously satisfactory experience with that buyer.

5. *SMAEX is able to insure against risks with which they are familiar, which they understand, and where they have current and accurate credit information on buyers. Lack of such information in new markets handicaps SMAEX's ability to reduce exporters' risks.*
6. *SMAEX has sought to respond to exporters' needs by offering two new insurance packages.*

Beginning in June 1993, SMAEX plans to offer *Garantie de Credit Personalisee (GCP)* and *Garantie de Credit Simplifiee (GCS)*, commercial risk policies tailored respectively to meet the needs of large and small exporters.

### **C. Marketing and Sales**

1. *SMAEX appears to be relatively passive in seeking clients, ascertaining clients' concerns and responding to their problems.*
2. *A major publicity "shock" campaign has been planned for some time and is to be launched in June 1993, coordinated with the presentation of the two new types of export credit insurance policies (mentioned in B.6 above) designed to respond more fully to the needs of different sized exporters.*

A detailed marketing plan (*Mission Marketing SMAEX*) prepared for SMAEX in 1990, pointed out that publicity should be but one among several elements of an overall, coordinated marketing strategy. SMAEX has acted on some of the suggestions contained in the 1990 marketing plan, but has delayed or decided against acting on others.

3. *SMAEX is certainly aware of the need to extend to the provinces, not only to provide information but for expanding markets, and to be able to provide faster service outside Casablanca.*

Although it has stated a desire to do so in future, SMAEX has not so far moved to decentralize its activities either in marketing or providing its services. SMAEX considers that a feasibility study is necessary to determine the best

approach, and that, in any case, considerable further training will be necessary before SMAEX staff can be entrusted with the responsibilities which decentralization requires.

#### **D. Profitability**

One of the goals set forth in the Project Paper's proposal to create SMAEX was that the firm be profitable. While this is a necessary condition for the firm's continued survival, it should not be the main goal. The pursuit of investment profits should not take precedence over the main reason for the firm's existence: providing export credit insurance.

### **Recommendations**

#### **A. General**

1. *SMAEX should attempt to reduce its heavy concentration of insurance coverage for exports to the European Community, particularly to France, by expanding its protection for exporters who wish to enter markets elsewhere.*

To become a truly effective instrument assisting Moroccan exporters to penetrate new and non-traditional markets, SMAEX will need to take more calculated risks in its underwriting decisions.

2. *By performing both an insuring and an educational function, SMAEX can assist both experienced and new exporters to take advantage of opportunities to expand into new markets and new products.*
3. *SMAEX should measure its performance not so much against the handling of export credit insurance in Morocco in the past, but against the practices of its counterpart institutions in other middle-income countries.*
4. *To assist the planning and execution of long-term strategy, SMAEX management should create a business development plan based on principles of management by objective and employing specific, quantified goals and targets in a defined time frame.*

#### **B. The Services of SMAEX**

1. *SMAEX should endeavor to improve communications with its clients by:*  
seeking to be more responsive to exporters' needs and concerns

explaining SMAEX decisions and practices more fully

making a more systematic effort to encourage feedback and suggestions from exporters and considering exporters' views in SMAEX forward planning

2. *SMAEX should make an effort to acquire current, accurate information on overseas buyers to aid SMAEX decision-making, and to expand its information base outside France.*

SMAEX could identify a list of target countries and sectors in advance of receiving applications in order to get a head start on obtaining the information which will be required to analyze the country and credit risks which will determine whether or not coverage will be offered.

By working with exporters and their associations (such as the *Association Marocaine des Exportateurs (ASMEX)* and other more specialized groups) SMAEX could develop a list of target countries, target sectors and target buyers.

3. *SMAEX should plan and design a coherent program of further training for its professional staff with the objectives of (1) allowing a greater degree of delegation of authority within the SMAEX organization; and (2) permitting SMAEX to begin a systematic program of decentralization to increase its presence outside Casablanca.*

A first step toward delegation and decentralization has been taken with the creation of a *Comite de Garantie* by the Deputy Director General of SMAEX. The *Comite* can approve SMAEX commitments up to DH 1,000,000.

**The team recommends that the DH 1,000,000 limit established for this committee be raised. To ensure sufficient control, SMAEX could require that, to approve coverage of larger amounts, the affirmative vote of the Deputy Director General would be required.**

As currently organized the *Comite de Garantie* does not see or consider applications for amounts exceeding DH 1,000,000. Such applications are submitted directly to the *Comite de Direction*. This practice eliminates an opportunity to prepare the *Comite de Garantie* to handle amounts larger than DH 1,000,000.

**The team recommends that all applications for cover be considered by the *Comite de Garantie* which would make a recommendation to the *Comite de Direction* for final action.**

Such a procedure would give the members of the *Committee de Garantie* exposure to the full range of applications and experience in dealing with larger amounts than is currently the case. As committee members gain experience, decision making could be decentralized by increasing the approval limit of this committee. Participation in the deliberations of this committee would also be a good training ground for staff members destined to be put in charge of regional offices. SMAEX told the team that it is difficult to hire personnel with experience in export credit insurance and difficult to give such personnel on-the-job training. This suggestion would help solve the on-the-job training portion of this problem. SMAEX senior management's commitment to the goal of achieving greater decentralization both within headquarters and in the field might be considerably strengthened by the positive results this obvious training opportunity could produce.

4. *SMAEX should endeavor to increase exporters' use of its Market Development (Assurance Prospection) and Trade Fair Insurance (Assurance Foire) programs to encourage more international exposure for exporters.*

It may be that these kinds of insurance coverage have not been sufficiently publicized, or that exporters find it difficult to apply for them. It may be possible to make them respond more effectively to exporters' needs.

In any case, trips abroad, if well-planned and executed, can be extremely useful catalysts for export promotion by allowing exporters to attend trade fairs, develop trading and investment relationships, discover ways to improve the quality of their products and maintain contact with modern production and exporting methods.

5. *SMAEX should inform itself on the length of insurance cover offered by similar organizations in competing countries and endeavor to match it.*
6. *SMAEX should regularly evaluate the level of reinsurance required to provide prudent protection while doing so at an acceptable price.*

Nevertheless, the more SMAEX offers cover for new, more risky markets, the more reinsurance will be necessary.

7. *A Note on Political Risk Insurance*

The team has the impression that heretofore political risk insurance has been provided for political reasons without much if any systematic evaluation of the political and economic situation prevailing in the country for which cover is being provided. **If Moroccan exports increase and begin to penetrate increasingly risky markets, the authorities may wish to consider putting**

**in place a mechanism for assessing country risk similar to the mechanisms used by most international banks.** This would involved hiring competent economists and creating a system for grading country risk. Alternatively this information can be purchased from international banks or from companies specialized in providing such information. As it stands now, decisions on providing political risk rest with the inter-ministerial committee and not with SMAEX. **The role of SMAEX could be enhanced and the burden of decision-making removed from senior government officials if decisions whether to grant political risk insurance cover were made by SMAEX, and the Ministry of Finance served as a provider of reinsurance for political risk coverage much as the reinsurance companies provide reinsurance cover for commercial risk policies issued by SMAEX.** To maintain a degree of control and to prevent SMAEX from issuing unlimited political risk cover, the Ministry of Finance could establish a list of countries with specific country-by-country limits for which they would be prepared to provide reinsurance.

8. *Credit Information and Debt Recovery Services*

SMAEX indicated to the team that it is studying the possibility of establishing either a special department or a separate organization to provide credit information on prospective buyers. This idea has already been discussed (in B.2 above) and should not be dismissed.

However, **SMAEX should first concentrate on building its capability to make informed decisions on applications for insurance before launching a new product.** The same can be said about establishing a receivables collection service.

9. *Exchange Risk Insurance*

Several sources interviewed mentioned the possibility that SMAEX should provide exchange risk insurance. SMAEX insurance does not appear to be the best way to do this.

**Mechanisms already exist for eliminating or reducing exchange risk exposure. It would seem more appropriate for the authorities to facilitate access to these existing mechanisms rather than trying to create a new one.**

C. **Marketing SMAEX**

1. *SMAEX should plan and execute an appropriate strategy for expanding its presence outside Casablanca. Some form of decentralized representation is necessary both for marketing and providing services to exporters.*

Mission Marketing SMAEX (See Bibliography, Annex 2) should be reviewed, and an action plan devised which SMAEX considers realistic and current, with specific targets and a time frame for their accomplishment.

Marketing in Morocco's major cities might be handled in several ways: (1) setting up branch SMAEX offices, (2) employing local independent agents (*courtiers*), (3) using the local branches of banks or insurance companies, or (4) increasing the number of travelling SMAEX representatives based in SMAEX's Casablanca headquarters.

**A possible way to proceed:** Regardless of what decision may be made later as to whether, or how, SMAEX is to be represented outside of Casablanca, as a temporary measure, SMAEX could hire, for example, three young professionals, train them for 3 months in the elements of marketing and SMAEX's programs at SMAEX headquarter and/or in a Casablanca commercial school, and send them out 1 or 2 weeks per month.

Banks are able to operate branch offices outside Casablanca with professional staff now available in Morocco. SMAEX should be able to do the same.

2. *SMAEX should be more active in regularly reminding organizations which arrange seminars related to export promotion of its willingness to provide speakers and panel members for such events.*

#### **D. For USAID Consideration**

1. *USAID can assist export promotion most effectively and directly through export catalyst programs of the kind now underway to match the human and material resources of Moroccan producers with foreign technical, management and investment inputs.*
2. *USAID could help strengthen SMAEX's effectiveness by contributing to further training of its professional staff in Morocco and overseas, perhaps through the Training for Development Project (608-0208).*

## I. INTRODUCTION

The evaluation team visited Morocco from April 19 to May 15, 1993 to carry out a final evaluation of the Private Sector Export Promotion Project: Export Credit Insurance Component (608-0189) which contributed support to the *Societe Marocaine d'Assurance a l'Exportation (SMAEX)* between June 1986 and December 1991.

Following the Scope of Work (Annex 12), the team used the methodology summarized in Annex 1, interviewing SMAEX officials, bankers and exporters (Annex 3) in five Moroccan cities.

The team is grateful to the management and staff of SMAEX for their generosity and cooperation in this endeavor and to the bank officials and exporters who took the time to answer our many questions. We especially appreciate the United States A.I.D. Mission's having asked Mr. Jamal Daddi, Project Development Specialist, to accompany us on our interviewing trip despite his other responsibilities.

Rabat, May 13, 1993

## **II. BACKGROUND: The Project's Context**

This evaluation of the *Societe Marocaine d'Assurance a l'Exportation (SMAEX)* has been made at a time of important changes in Morocco's political and economic relations with the outside world. The way in which SMAEX adapts to these changes during the next few years will help determine its impact in the area of trade relations.

Over the past two decades Morocco has achieved political and economic stability and growth despite numerous global and domestic problems. The country has successfully incorporated the former Spanish Sahara into its territory and reestablished diplomatic relations with its neighbor Algeria. Morocco's monarchy seems to enjoy greater support today than at other times in the recent past. Local, regional and parliamentary elections have recently taken place or are scheduled in the near future.

### **1. Moroccan Economic Trends**

During the past ten years Morocco has undertaken a significant program of structural adjustment and economic policy reform designed to open the economy, make it more competitive, increase economic efficiency by removing product pricing distortions, increase exports, reduce the government deficit and improve financial markets. Many of the reforms are designed to help Morocco make the transition from an inward- to an outward-looking economy. The Moroccan Government views the development of the export sector as crucial to economic reform. Exports can provide Morocco with a sustainable source of foreign exchange to service its external debt, as well as to finance imports and investment for long-term development. The Government has endeavored to improve export incentives through exchange rate devaluation, trade liberalization and less restrictive administrative controls. The aim has been to make export activity relatively more attractive for Moroccan producers than it has been in the past. The policies have paid off, and exports have increased steadily during the past ten years.

Although Morocco has endured several years of drought, war in the Sahara, a locust plague, stagnant world trade and the shock of the Gulf War, it has nevertheless improved its basic economic structure and laid the basis for further economic growth. Nevertheless, despite the progress made in adjustment, the Moroccan economy faces significant challenges. The continued expansion and diversification of Morocco's exports will be crucial to further economic growth.

### **2. Diversification of Exports**

Morocco's exports amounted to DH33,958 million (\$3,977 million) in 1992, a drop of about 7 percent from 1991. Since the beginning of the structural adjustment program, the pattern of Moroccan exports has diversified significantly. In 1983 phosphate and its derivatives accounted for 43 percent of the value of all exports; by 1992 they were 25 percent. Last year, however, textile exports exceeded phosphate for the first time, increasing 4.5 times since 1983 - from 12 percent to 27 percent of total exports. Agribusiness products became the leading

exports for three years in a row, doubling their value over the past ten years, and increasing from 28 percent to 30 percent of all exports. Despite the drop of 7 percent from 1991 to 1992, Moroccan exports have increased an average of 7.5 percent annually over the past 10 years (Source: USAID/Morocco).

A comprehensive range of structural reforms is envisaged for 1993. A key element of this strategy involves the further liberalization of the exchange and trade system, leading in due course to full external currency convertibility. Full convertibility will help stimulate investment and integrate Morocco's goods and capital markets with those of the rest of the world. Morocco has begun discussions with the European Community on entering into a partnership agreement which would ease trade restrictions between Morocco and the EC.

Liberalization of the Moroccan economy is likely to help foster trade relations with the other Maghreb countries of Algeria, Libya, Tunisia and Mauritania. Morocco is working with these countries within the Arab Maghreb Union to reduce impediments to regional and international trade. In the medium term, over the next five years, an annual export growth target of 10 percent seems achievable, with an above-average contribution from manufactured exports, which are likely to benefit from the technology transfer of foreign direct investment, compensating for the slower growth in exports of phosphates and phosphate derivatives. Foreign direct investment showed a very sharp increase in 1992 and is likely to remain strong over the medium term. It is helping Morocco develop new products, improve existing ones, and has the potential to contribute to an increase in Morocco's market share of manufactured exports in traditional markets and to penetrate new markets.

### **3. Origin of the Project**

The incentives and opportunities for export production have improved as part of the structural adjustment process. The GOM has created several programs and policies to stimulate increased production for export. These include:

- policy incentives to export
- a pre-shipment export finance facility
- a post-shipment export financing facility
- an industrial export finance project financed with World Bank assistance.

The Export Credit Insurance component of the USAID-financed Private Sector Export Promotion Project was developed in the context of these activities.

A series of studies carried out for USAID/Morocco in 1985 by First Washington Associates concluded that the constraints to exports included conservative export financing procedures, export production problems, insufficient knowledge of overseas markets, language barriers, and weaknesses in the export insurance program.

Based on this analysis, USAID/Morocco designed the Private Sector Export Promotion Project (608-0189) to deal with some of the more important constraints to export development:

- address the financial constraints of small and medium exporters through establishing pre-export financing facilities
- address some of the technical and managerial weaknesses of Moroccan exporters through assistance in export production and marketing
- help the Moroccan Government restructure and improve its export credit insurance program.

The Project Paper approved in June 1986 stated that the goal of the Private Sector Export Promotion Project was to increase the export earnings of Morocco's private sector firms, and hence to strengthen Morocco's capacity to service its debt and finance its investments for development. The purpose of the project was to increase exports by Morocco's private sector. Its three components had three sub-purposes:

- **Export Credit Insurance:** Expand export credit insurance coverage from 5 percent of insurable (e.g., private) exports to 20 percent by the end of the 5-year project in 1991. Increased coverage was to stimulate an increase in exports.
- **Export Credit:** Expand export prefinancing credit to small and medium-sized firms and new users. Increased access to credit by such firms would increase export production.
- **Export Assistance:** Improve the export production and marketing capacity of beneficiary firms and improve the capacity of the Moroccan Center for Export Promotion (CMPE) to service private exporters.

(Refer to Annex 11, the Logical Framework, for indicators and assumptions for the overall Export Promotion Project.)

The present evaluation is concerned only with the Export Credit Insurance component of the project. The component's output target was the establishment of an efficient privatized export credit insurance organization.

Success was to be measured by five verifiable indicators:

1. Half of the new organization was to be owned by the private sector.
2. The time for processing applications and claims was to decrease.

3. The new organization was to make the final decision on at least half of the insurance applications.
4. New types of insurance policies were to be offered in response to exporters' needs.
5. Reinsurance agreements were to be established with non-governmental entities.

All of these conditions were met by the time the project component ended successfully in December 1991. Now, 17 months later, a number of observations can be made about the functioning of the SMAEX export credit insurance program which may be useful for gauging its effectiveness and planning its further development.

#### **4. Evolution of the Export Credit Insurance Component of the Project**

In June 1986, the Government of Morocco (GOM) agreed to transfer its existing export credit insurance program, then operating as a special department of the *Banque Marocaine du Commerce Exterieur* (BMCE), to an independent entity whose ownership would be shared by the GOM and private commercial banks and insurance companies. As a result, the *Societe Marocaine d'Assurance a l'Exportation* (SMAEX) was created.

Beginning in 1987, to assist the fund to become operational, the Export Credit Insurance component financed the contract services of Equator Advisory Services (EASL) for short-term and long-term technical assistance, as well as for training and equipment.

During 1988, SMAEX's capital base of DH 30 million was committed and paid in by shareholders. The shareholders are the Moroccan Government (33 percent), banks (45 percent) and insurance companies (22 percent). Counting partial state ownership in certain of the shareholding banks, SMAEX is 50.43 percent privately-owned (See Annex 6). SMAEX began operations in January 1989.

In mid-1989, the project funded a long-term concessional loan of \$8 million to the GOM for the purpose of on-lending to SMAEX to capitalize its commercial risk fund. Beginning with under 300 export credit insurance policies, sales have grown at the rate of about 100 policies annually so that by May 1993 SMAEX had issued 786 policies of which 521 are currently active. (See Table 4 for their geographic distribution.)

A mid-term evaluation of the entire Private Sector Export Promotion Project was completed in April 1990 (See Bibliography, Annex 2). It recommended, among other things, that USAID continue supporting the Export Credit Insurance component, which it did until EASL technical assistance ended in December 1991. It also made a number of recommendations for SMAEX improvement, notably in increasing its responsiveness to exporter needs and marketing its services.

## 5. The Role of Export Credit Insurance

Export credit insurance protects exporters and bankers against nonpayment by overseas buyers. It complements pre-shipment export financing, which protects banks against exporters' nonperformance.

The need for export credit insurance and guarantee programs arises from imperfect information in banks, trading companies and exporter firms on overseas buyers and their countries' economies. In many countries, particularly developing countries, among the most important functions of export credit insurance institutions is providing this sort of information to assist their exporter-clients' and banks' decision-making and thus help reduce their risks. (See the World Bank discussion on export credit insurance and guarantee institutions in Annex 9).

In general, an export credit insurance institution like SMAEX should accomplish three objectives:

1. It should provide a facility to help exporters reduce the risks of selling abroad on credit terms, encouraging new exporters to expand their overseas sales, and encouraging all exporters to explore new, perhaps more risky, geographic areas in which they may have a competitive advantage.

2. It can make it easier for exporters to borrow from commercial banks to cover their export sales, by indirectly protecting the banks against the export risks.

When a firm offers delayed payment terms as part of its export activities it not only runs the credit risk discussed at the first point but it also puts additional strain on its cash flow/working capital situation because the funds spent to produce the goods exported and whatever profit is due will not be received until a later date. An export credit insurance program encourages banks to discount the receivables held by the exporter. In so doing the bank solves the exporter's working capital problem but minimizes its own risk because the notes discounted are covered by export credit insurance.

(Note: Currently Moroccan banks apparently apply the same discount rate to notes covered by insurance as they do to notes not so covered. Since the level of risk taken by the bank on covered notes is lower than on non-covered notes, an effort should be made to encourage the banks to differentiate their discount rates. One way in which this could be done would be for the *Banque du Maroc* to offer banks a preferential rediscount rate when they discount notes covered by SMAEX insurance.)

3. An export credit insurance institution can sometimes play an important role in providing current, accurate credit information on foreign buyers which would be useful to exporters and commercial banks in decision making.

Offering such a service assumes that the export credit insurance provider has such information on firms in all or most of the markets in which exporters are likely to sell. Establishing and maintaining such a database can be both time consuming and expensive. Issues such as copyright infringement, confidentiality and responsibility for the accuracy of the information would also have to be considered. For the moment it may be sufficient for SMAEX to concentrate on expanding the list of countries and companies on which it maintains credit information to be used in making its own decisions.

A 1989 World Bank study on *Trade Finance in Developing Countries* (See Bibliography, Annex 2, and an interesting excerpt on the experience of export credit insurance in other countries in Annex 9) observes that establishing an export credit insurance program does not guarantee its success, but that operational effectiveness must be achieved. The study concludes that among the problems with which export credit institutions in developing countries must often contend are these:

- Learning in the startup phase is too slow.
- The lack of a clear directive from the governments has meant some agencies have been side-tracked by an uninterested parent entity.
- Some agencies are not adequately capitalized.
- Some agencies fail to market their programs.
- While some agencies have relied heavily on ineffective private organizations, some have been excessively public sector-oriented and have not been in tune with the needs of private exporters and banks.
- Some programs which have been inadequately staffed have lost touch with international developments and have not been competitive.
- Some agencies have followed excessively conservative underwriting practices and have denied claims arbitrarily or taken too long to process them.
- Some agencies have been swamped with paperwork and unable to provide good service.

The Bank study notes that despite these common problems, many export credit insurance institutions have matured enough to play a key role in their economies' export development.

Our brief examination of some aspects of SMAEX leads us to conclude that:

- SMAEX is indeed beset by several of the problems mentioned above.

- SMAEX leadership is aware of these problems and is endeavoring to come to terms with some of them.
- SMAEX should make a systematic effort to improve its performance in responding to legitimate exporter needs and in marketing its services.
- SMAEX has the potential for playing a key role in expanding Morocco's exports if it improves its practices in a few important areas.

### III. FINDINGS AND CONCLUSIONS

#### 1. The Role of SMAEX

Export credit insurance is a necessary, but secondary, contributor to increasing exports. Production and marketing assistance through export catalysts like foreign investment and pre-export financing usually have a greater and more direct impact.

Morocco's steady increase in exports over the past ten years is attributable to a number of concurrent factors including policy reform, trade liberalization, exchange rate devaluation, foreign investment (See II.1. above) - and perhaps also the availability of export credit insurance - but it is impossible to quantify the marginal increase which such insurance may have caused.

The role of SMAEX is to support export sales by making it easier for overseas buyers to purchase Moroccan goods and services on credit. SMAEX programs should be designed and administered to encourage Moroccan suppliers or their banks to extend credit terms to facilitate the export of Moroccan goods and services by private sector firms. By limiting its activities to providing export credit insurance, SMAEX is able to reinsure itself to the extent it feels reinsurance is prudent and at the same time avoid competing with the banks.

There would appear to be some confusion among exporters as to exactly what SMAEX is insuring. For whatever reason several of the firms interviewed by the team seem to think that their exports are covered by SMAEX insurance rather than the credit extended being covered. It is vital that both SMAEX and its clients be absolutely clear on this point. As far as the team understands it is credit which SMAEX insures and not products.

In the past SMAEX does not seem to have taken into consideration the fact that different exporters have different characteristics and needs.

- Some exporters are large and experienced and seek insurance coverage for commercial credit risks they prefer not to assume themselves.
- Other exporters may require SMAEX coverage primarily (or only) to obtain financing from their banks.
- Still others may be new to exporting and need greater support and assistance than firms with more export experience.

SMAEX should be sensitive to these differences and should attempt to take them into consideration in its client relationships. To do this SMAEX representatives must be well informed about the practices and conditions in different sectors and must regularly visit clients in an effort to assess their particular needs. The new SMAEX insurance policies to be released

soon (See III.2.6 below) appear to recognize these differences and may go a long way towards making SMAEX products more responsive to the special needs of a diverse client base.

Salient points regarding the role of SMAEX include:

1. *SMAEX has evolved considerably since it was established in 1989.*

SMAEX has the potential for playing a significant role in making Morocco's exports more competitive not only in the European Community but in new markets elsewhere.

There is a general consensus among banks and exporters that there is a need for an organization like SMAEX.

As Morocco moves into a period of greater trade liberalization and in the direction of dirham convertibility, exporters recognize increasingly the value of a well-run export credit insurance program to help them seek out opportunities and protect them from the dangers in expanding overseas markets.

Other banks' reservations about doing business with SMAEX seem to have disappeared. They no longer see SMAEX as an offshoot of a competing bank, as they did earlier. Their branches more often encourage or require their clients to use SMAEX services as a means of reducing risk for the lending banks themselves.

2. *SMAEX has established itself well as an independent organization since it separated from the BMCE 4 1/2 years ago.*

SMAEX's insurance portfolio has approximately doubled over the past four years. (See Table 3)

SMAEX declared its first dividend (5%) in 1991, and is expected to declare another 5 percent dividend covering 1992 at its annual board meeting scheduled in June 1993.

SMAEX's investments appear prudently and profitably managed.

3. *The impact of SMAEX constituted as a private independent entity has certainly been greater than it would have been if export credit insurance had continued to be offered by only one of the banks.*

As an independent organization SMAEX is able to offer its services to clients of all of the banks and therefore is able to provide insurance to the full range

of exporters operating in different sectors. Each bank has a different appetite for risk and a different client base and as currently organized SMAEX can work with all of them.

Perhaps even more important is the increased financing available to exporters because now all banks can offer to discount export related commercial paper covered by SMAEX insurance.

As a private, independent organization, SMAEX should be able to work closely with all of the banks to make known its services and to develop a larger client base.

SMAEX appears to be relatively passive in seeking clients, in ascertaining clients' concerns and responding to their problems.

4. *Although SMAEX is a private entity, it is also a relative monopoly - now the only supplier of export credit insurance in Morocco - with the result that the usual incentives of competition do not contribute to improving its performance.*

Despite its private, independent status, it is not clear to the team that SMAEX has developed an internal operating culture similar to the cultures one expects to find in private sector companies as compared to government agencies. For example, there appears to be little room for initiative or independence in the current SMAEX culture. Decision-making appears to be highly centralized. The comments of a majority of the exporters interviewed reinforced this view. Several observed that having regional SMAEX offices would serve no purpose since all decisions would have to be made in Casablanca in any case. One went so far as to say that regional offices would only add an additional layer to the already bureaucratic process of applying for and obtaining insurance cover.

SMAEX's apparent slowness to make a major marketing effort which goes beyond publicity campaigns and seminars in Casablanca and to regularly visit clients and potential clients seems to reflect the absence of a truly private sector approach to doing business. A private sector firm with a product to sell would be out in the market promoting its product and would not sit in its head office waiting for prospective customers to come.

In 1990 SMAEX developed a marketing plan (*Mission Marketing SMAEX*, See Bibliography, Annex 2) which contained a number of imaginative ideas for marketing SMAEX services. However, interviews indicated that only some of these ideas have been put into practice during the three years which have elapsed since the plan was prepared.

In short, it would seem that in several crucial ways the operating culture at SMAEX resembles the culture one expects to find in a government agency more than that likely to be found in a dynamic private sector company.

5. *SMAEX insurance coverage appears to be heavily concentrated on textile exports, firms in Casablanca, and exports to the European Community, especially France.*

Table 1 shows that during the past three years over 60 percent of Morocco's total exports have gone to the EC. Although the percentage of overall private exports (i.e., excluding phosphates, metals and minerals) going to that area exceeds 80 percent, the EC has accounted for even more (89 percent) of SMAEX's export insurance coverage (Table 2). That coverage, moreover, is increasingly concentrated on textile exports (64 percent, Table 5) in part because of recent sharp increases in clothing exports to Spain and France. Many of the textile exporters are concentrated in Casablanca, which accounts for 70 percent of SMAEX's insurance policies (Table 4).

While there are no doubt new buyers in EC markets, the geographic markets themselves are among Morocco's long-established traditional markets. In recent years new markets have included Iraq, Libya and Algeria, but selling to these markets has had a strong political motivation.

6. *Thus far SMAEX has not contributed as much as it might to helping explore new markets outside the EC.*

Without a greater degree of export credit insurance, some exporters will likely continue to export to the known, secure markets of Europe which entail little risk and small profit margins, rather than seek greater profits in expanding their exports to new, perhaps riskier markets in the Near East, Africa and elsewhere as well as in Europe.

SMAEX might assist Moroccan exports more by making a greater effort to expand its coverage to other products for truly new commercial markets such as to countries in the Persian Gulf, Eastern Europe and to some of the stronger African countries.

## 2. Views of SMAEX's Services

1. *Perceptions of Bankers in Casablanca*

In the view of some of the bankers and exporters interviewed, many exporters are not informed about SMAEX's services, or are only vaguely aware of them, and may not appreciate their value.

The banks interviewed generally felt that SMAEX provides a useful service and has made a contribution to the expansion of Morocco's exports. By suggesting or requiring SMAEX cover on notes to be discounted by exporters, the banks have been quicker to understand and to use SMAEX cover than many exporters.

Some banks in Casablanca have the impression that SMAEX dropped its marketing efforts after 1991 and has taken part in fewer bank-sponsored seminars and workshops during the past year than they did previously.

## 2. *Perceptions of Exporters Interviewed*

Some of the exporters expressed their satisfaction with SMAEX, citing the utility of its services both as a source of coverage for credit risk as well as a tool for obtaining increased credit from the banks.

Most said that they had been well received when they first contacted SMAEX and found the staff helpful and professional.

SMAEX has succeeded in shortening the time for processing and acting upon applications. The average response time has dropped steadily from 37 days in 1989 to 13 days in 1991 and 1992. (*SMAEX 1991 Annual Report* and 1992 activity status sheet). There is still room for improvement: Some exporters still have experienced delays of up to a month. Most said they had received a reply from SMAEX within a reasonable period - usually within two weeks and sometimes even more quickly.

Exporters and bankers criticized SMAEX's six-month claims payment period as unnecessarily long. Some exporters did not seem to be aware that they could receive up to 70 percent of the amount of their coverage during this waiting period, as SMAEX told us they could.

Some exporters believe SMAEX is as unwilling to assume risk as banks, and that this degree of risk-aversion is not helpful in assisting exporters to expand their markets. Several exporters said they would try to go into new African markets if SMAEX would cover them.

Some exporters are disappointed by SMAEX's often unexplained rejections of their applications. They said that after a number of unexplained rejections they lost interest in using SMAEX services.

Often rejections or partial approvals were received when the importer was in a country other than one of the traditional European markets. The exporters tended to feel that SMAEX rejected such applications out of hand because they -

SMAEX - did not have financial information on the buyers and were unwilling to go to the trouble to get it. This is a problem of communication as much as of substance.

Some exporters commented that SMAEX is "bureaucratic," "administratively heavy and slow," "too hierarchical," and "arbitrary." This image is widely held even by companies which are basically satisfied with SMAEX. Exporters can sell their goods abroad without SMAEX cover, but SMAEX cannot remain in business without exporters willing to buy cover.

It is clear that SMAEX must make a greater effort to be "user-friendly" and to shed its bureaucratic image. The 1990 marketing plan talks of the need to make efforts in this direction and to establish a real sense of partnership between exporters and SMAEX. It would not be reasonable for SMAEX to insure every risk which exporters would like to see covered, but SMAEX should try to make known what risks it is prepared to cover and to explain why it is not prepared to cover other risks.

Exporters did not seem to feel that SMAEX premiums and other charges were too high, but did not have a clear idea of what all of the various charges are nor how they are calculated. The team was told that total combined SMAEX and bank charges can be as high as 6% or 7% including the SMAEX premium, the bank's fee for advising a letter of credit, the bank's fee for confirming a letter of credit and related charges.

(Note: The scope of this evaluation does not include commenting on bank fees, but it does seem that an effort might be made to ensure that the combination of costs payable by an exporter to arrange financing for an export transaction should be examined by all parties. Banks in particular should consider preferential discount charges on notes covered by SMAEX insurance.)

3. *SMAEX does help exporters secure bank financing for credit sales overseas, and thus contributes indirectly to expanding exports.*

Perhaps the greatest single contribution made by SMAEX to increasing Moroccan exports has been indirect. As discussed above (In II.5. *The Role of Export Credit Insurance*, objective 2), exporters, particularly small exporters, often do not have sufficient financial depth to be able to offer credit terms to buyers out of their own resources. They need bank financing to continue operating and to prepare goods to fill future export orders from the same or different overseas buyers.

If an exporter is near his borrowing limit with his bank or is experiencing financial difficulties, his bank may hesitate to provide additional financing

without collateral. Notes receivable arising from an export transaction will often be deemed to be acceptable collateral by a bank, particularly if such notes are insured by SMAEX.

Exporters told the team that many banks suggest SMAEX cover in such circumstances and that one of the banks requires it. From the exporters' point of view perhaps the most useful effect of SMAEX cover is to make such notes acceptable to the banks for discounting.

4. *Sometimes SMAEX discourages exports by rejection of coverage.*

Rather than encouraging exports SMAEX actions may in fact sometimes have the opposite effect. Several of the exporters interviewed said that when SMAEX has refused cover for which they have applied they have been more cautious in extending credit terms to the buyer in question despite previously satisfactory experience with that buyer. The result is that in these cases SMAEX's action had the result of discouraging exports. This problem could have a significant impact when one considers that SMAEX rejects approximately 12% of applications and imposes conditions in a further 33% of cases. Sometimes, however, a SMAEX decisions to reject without explanation applications for coverage of shipments to buyers with whom exporters have had troublefree relationships has tended to reduce the credibility of SMAEX in the eyes of the exporter.

5. *SMAEX is able to insure against risks with which they are familiar, which they understand, and where they have current and accurate credit information on buyers. Lack of such information in new markets handicaps SMAEX's ability to reduce exporters' risks.*

SMAEX appears to have little credit information on buyers in countries other than France, and particularly outside of the EC. This lack of adequate information upon which to base underwriting decisions may increase SMAEX's inclination to reject applications for coverage in areas on which it is not well-informed, and reduces its ability to assist exports to new areas.

6. *SMAEX has sought to respond to exporters' needs by offering two new insurance packages.*

Beginning in June 1993, SMAEX plans to offer *Garantie de Credit Personalisee (GCP)* and *Garantie de Credit Simplifiee (GCS)*, commercial risk policies tailored respectively to meet the needs of large and small exporters. However, two other kinds of policies - Trade Fair Insurance (*Assurance Foire*) and Market Development Insurance (*Assurance Prospection*) - are not much used (31 and 4 exporters respectively used them in 1992), which would seem to indicate

either that they do not meet exporters' needs or have not been sufficiently marketed.

### 3. Marketing and Sales

1. *SMAEX appears to be relatively passive in seeking clients, ascertaining clients' concerns and responding to their problems.*

A number of exporters, association representatives and bankers believe that SMAEX should market its services more actively.

Several bankers told us they have the impression that SMAEX has dropped its marketing efforts since 1991. SMAEX told the team that it participates in seminars organized by the banks and others when it is invited to do so.

2. *A major publicity "shock" campaign has been planned for some time and is to be launched in June 1993, coordinated with the presentation of the two new types of export credit insurance policies mentioned in 2.6 above designed to respond more fully to the needs of different sized exporters.*

Brochures prepared for the campaign have been done in a very professional manner. An effective marketing strategy, however, should go further.

A detailed marketing plan (*Mission Marketing SMAEX* - See Bibliography, Annex 2) prepared for SMAEX in 1990, pointed out that publicity should be but one among several elements of an overall, coordinated marketing strategy. SMAEX has acted on some of the suggestions contained in the 1990 marketing plan, but has delayed or decided against acting on others.

3. *SMAEX is certainly aware of the need to extend to the provinces, not only to provide information but for expanding markets, and to be able to provide faster service outside Casablanca.*

Although it has stated a desire to do so in future, SMAEX has not so far moved to decentralize its activities, either in marketing or providing its services. SMAEX has considered various approaches to decentralization:

- setting up branch SMAEX offices;
- employing local independent agents (*courtiers*);
- using local branches of banks or insurance companies;

- increasing the number of travelling SMAEX representatives based in SMAEX's Casablanca headquarters.

SMAEX considers that a feasibility study is necessary to determine the best approach, and that, in any case, considerable further training will be necessary before SMAEX staff can be entrusted with the responsibilities which decentralization requires.

#### **4. Profitability**

One of the goals set forth in the Project Paper's proposal to create SMAEX was that the firm be profitable. While this is a necessary condition for the firm's continued survival, it should not be the main goal. The pursuit of investment profits should not take precedence over the main reason for the firm's existence: providing export credit insurance.

A review of SMAEX's annual reports indicates that the firm has been operating at a profit. A 5 percent dividend for 1991 and a likely dividend for 1992 would seem to indicate adequate financial soundness.

## IV. RECOMMENDATIONS

### 1. General

1. *SMAEX should attempt to reduce its heavy concentration of insurance coverage for exports to the European Community, particularly to France, by expanding its protection for exporters who wish to enter markets elsewhere.*

To become a truly effective instrument assisting Moroccan exporters to penetrate new and non-traditional markets, SMAEX will need to take more calculated risks in its underwriting decisions.

SMAEX's stated objective of helping promote exports requires that its criteria and strategy for managing risk should more closely resemble those of an insurer rather than those of a bank, which are generally more risk-averse.

2. *By performing both an insuring and an educational function, SMAEX can assist both experienced and new exporters to take advantage of opportunities to expand into new markets and new products.*
3. *SMAEX should measure its performance not so much against the handling of export credit insurance in Morocco in the past, but against the practices of its counterpart institutions in other middle-income countries.*

Efforts should be made to learn as much as possible about the activities and experience of similar companies in comparable countries. SMAEX may wish to consider expanding its contacts with such organizations through the *Berne Union*, an unofficial international association of export credit insurance and guarantee agencies, founded to encourage cooperation among companies and the exchange of information (See Annex 9).

4. *To assist the planning and execution of long-term strategy, SMAEX management should create a business development plan based on principles of management by objective and employing specific, quantified goals and targets in a defined time frame.*

### 2. The Services of SMAEX

1. *SMAEX should endeavor to improve communications with its clients by:*
  - seeking to be more responsive to exporters' needs and concerns;

- explaining SMAEX decisions and practices more fully;
  - making a more systematic effort to encourage feedback and suggestions from exporters and considering exporters' views in SMAEX forward planning.
2. *SMAEX should make an effort to acquire current, accurate information on overseas buyers to aid SMAEX decision-making, and to expand its information base outside France.*

SMAEX could identify a list of target countries and sectors in advance of receiving applications in order to get a head start on obtaining the information which will be required to analyze the country and credit risks which will determine whether or not coverage will be offered.

By working with exporters and their associations (such as the *Association Marocaine des Exportateurs (ASMEX)* and other more specialized groups) SMAEX could develop a list of target countries, target sectors and target buyers.

Exporters could supply basic information on potential importers to enable SMAEX to start developing financial information and a buyer profile on selected foreign buyers.

At the same time the Ministry of Finance could begin gathering the information needed to evaluate political risk cover for selected countries. There should not be too many countries or sectors.

Banks, industry associations and chambers of commerce could be helpful in obtaining the names of potential importers in selected countries.

Such a data base would enable SMAEX to have the information required to make informed decisions and would at the same time accelerate the decision making process. Availability of such information would also enable SMAEX to fulfill its stated role as a source of information on potential importers.

If SMAEX wishes to strengthen its role as a source of useful information on potential buyers, it should consider subscribing to one of the existing services which publish notices of world-wide tenders and trade opportunities. Such information is also available to members of organizations such as the *National U.S.-Arab Chamber of Commerce* and from trade publications such as the *Journal of Commerce*. SMAEX should charge exporters for providing such information in order to cover its expenses.

3. *SMAEX should plan and design a coherent program of further training for its professional staff with the objectives of (1) allowing a greater degree of delegation of authority within the SMAEX organization; and (2) permitting SMAEX to begin a systematic program of decentralization to increase its presence outside Casablanca.*

A first step toward delegation and decentralization has been taken with the creation of a *Comite de Garantie* by the Deputy Director General of SMAEX. The *Comite* can approve SMAEX commitments up to DH 1,000,000.

**The team recommends that the DH 1,000,000 limit established for this committee be raised. To ensure sufficient control, SMAEX could require that, to approve coverage of larger amounts, the affirmative vote of the Deputy Director General would be required.**

As currently organized the *Comite de Garantie* does not see or consider applications for amounts exceeding DH 1,000,000. Such applications are submitted directly to the *Comite de Direction*. This practice eliminates an opportunity to prepare the *Comite de Garantie* to handle amounts larger than DH 1,000,000.

**The team recommends that all applications for cover be considered by the *Comite de Garantie* which would make a recommendation to the *Comite de Direction* for final action.**

Such a procedure would give the members of the Committee de Garantie exposure to the full range of applications and experience in dealing with larger amounts than is currently the case. As committee members gain experience decision making could be decentralized by increasing the approval limit of this committee. Participation in the deliberations of this committee would also be a good training ground for staff members destined to be put in charge of regional offices. SMAEX told the team that it is difficult to hire personnel with experience in export credit insurance and difficult to give such personnel on-the-job training. This suggestion would help solve the on-the-job training portion of this problem. SMAEX senior management's commitment to the goal of achieving greater decentralization both within headquarters and in the field might be considerably strengthened by the positive results this obvious training opportunity could produce.

4. *SMAEX should endeavor to increase exporters' use of its Market Development (Assurance Prospection) and Trade Fair Insurance (Assurance Foire) programs to encourage more international exposure for exporters.*

It may be that these kinds of insurance coverage have not been sufficiently publicized, or that exporters find it difficult to apply for them. It may be possible to make them respond more effectively to exporters' needs.

In any case, trips abroad, if well-planned and executed, can be extremely useful catalysts for export promotion by allowing exporters to attend trade fairs, develop trading and investment relationships, discover ways to improve the quality of their products and maintain contact with modern production and exporting methods.

Some exporters may qualify for training, observation tours or participation in seminars under the exported-related USAID projects mentioned in IV.4.

5. *SMAEX should inform itself on the length of insurance cover offered by similar organizations in competing countries and endeavor to match it.*

Several exporters told the team that they had lost orders or had foregone insurance cover when competing suppliers from other countries were able to offer payment terms of 360 days or even longer. Despite the increased risk, to be competitive SMAEX may have to offer cover for longer periods and charge more for it.

6. *SMAEX should regularly evaluate the level of reinsurance required to provide prudent protection while doing so at an acceptable price.*

Nevertheless, the more SMAEX offers cover for new, more risky markets, the more reinsurance will be necessary.

The team was told that when it first started SMAEX reinsured itself 100 percent. Of this amount 75% of risk was reinsured with a Belgian firm (*Namur*) and the remaining 25% with Moroccan reinsurers. As SMAEX has gained experience and confidence it has reduced reinsurance to cover only 60 percent of commercial risk policies issued. The presence of this reinsurance no doubt inspires confidence on the part of both shareholders and the insured exporters, but it is expensive to reinsure, and such a degree of reinsurance cover may not be necessary under current circumstances.

7. *A Note on Political Risk Insurance*

SMAEX currently offers insurance to cover both commercial risks and political risks. In fact for certain countries SMAEX requires political risk coverage and will not provide commercial risk coverage. Political risk insurance is important to exporters when the exporter is offering credit to a buyer located in a country where it is judged that there is a good chance of interference from the

government which could affect the buyer's ability to pay the exporter. Political risk insurance is also advisable when the buyer is a foreign government or a government-owned entity.

When political risk cover is offered, SMAEX provides only administrative support. The actual insurance cover is provided by the Ministry of Finance. Applications are submitted to SMAEX which in turn submits them to a committee chaired by a representative of the Ministry of Finance and which consists of representatives of a number of different government ministries and agencies.

The team has the impression that heretofore political risk insurance has been provided for political reasons without much if any systematic evaluation of the political and economic situation prevailing in the country for which cover is being provided. **If Moroccan exports increase and begin to penetrate increasingly risky markets, the authorities may wish to consider putting in place a mechanism for assessing country risk similar to the mechanisms used by most international banks.** This would involve hiring competent economists and creating a system for grading country risk. Alternatively this information can be purchased from international banks or from companies specialized in providing such information.

As it stands now, decisions on providing political risk rest with the inter-ministerial committee and not with SMAEX. **The role of SMAEX could be enhanced and the burden of decision-making removed from senior government officials if decisions whether to grant political risk insurance cover were made by SMAEX, and the Ministry of Finance served as a provider of reinsurance for political risk cover much as the reinsurance companies provide reinsurance cover for commercial risk policies issued by SMAEX.** To maintain a degree of control and to prevent SMAEX from issuing unlimited political risk cover, the Ministry of Finance could establish a list of countries with specific country-by-country limits for which they would be prepared to provide reinsurance.

#### 8. *Credit Information and Debt Recovery Services*

SMAEX indicated to the team that it is studying the possibility of establishing either a special department or a separate organization to provide credit information on prospective buyers. This idea has already been discussed in this report (in IV.B.2 above) and should not be dismissed.

However, SMAEX should first concentrate on building its capability to make informed decisions on applications for insurance before launching a new

product. The same can be said about establishing a receivables collection service.

In light of the criticisms mentioned in this evaluation, the team believes that for the time being SMAEX should concentrate on doing its main job well and delay expansion into new fields of endeavor.

9. *Exchange Risk Insurance*

Several sources interviewed mentioned the possibility that SMAEX should provide exchange risk insurance. There is no doubt that Moroccan exporters incur exchange risks at several junctures in the process of purchasing imported raw materials, exporting, receiving payment and ceding the foreign exchange earned to the *Banque du Maroc* and then repeating the process. It would be desirable to find a solution to this problem, but SMAEX insurance does not appear to be the best way to do this.

In the first place the arena of foreign exchange dealings is extremely complicated and highly risky. If SMAEX feels it cannot find in Morocco personnel suitable to occupy decision-making level positions in its current field of activity, it is all the more unlikely that experienced personnel could be found to properly evaluate the risks inherent in providing exchange risk cover.

Further, mechanisms already exist for eliminating or reducing exchange risk exposure. It would seem more appropriate for the authorities to facilitate access to these existing mechanisms rather than trying to create a new one.

### 3. Marketing SMAEX

1. *SMAEX should plan and execute an appropriate strategy for expanding its presence outside Casablanca. Some form of decentralized representation is necessary both for marketing and providing services to exporters.*

The recommendations for action contained in *Mission Marketing SMAEX* would be a good place to start. Further technical assistance is not needed - only a decision and determination to pursue the plan further. It should be reviewed, and an action plan devised which SMAEX considers realistic and current, with specific targets and a time frame for their accomplishment.

SMAEX states that recruitment and thorough training is necessary before expanded provincial marketing can be undertaken. At present one person - the Director of the four-person Commercial, Development and Communications

Department - (See Annex 7 for the SMAEX Staffing Pattern) travels from Casablanca 5 or 6 times a year for 1 week trips in the provinces, visiting perhaps 120 clients or prospective clients per year.

Marketing in Morocco's major cities might be handled in several ways (as mentioned in III.3.3 above): (1) setting up branch SMAEX offices, (2) employing local independent agents (*courtiers*), (3) using the local branches of banks or insurance companies, or (4) increasing the number of travelling SMAEX representatives based in SMAEX's Casablanca headquarters.

Each option has its advantages and disadvantages. The fourth option could be undertaken with the least delay and the least cost while longer-term options are being investigated.

**A possible way to proceed:** Regardless of what decision may be made later as to whether, or how, SMAEX is to be represented outside of Casablanca, as a temporary measure, SMAEX could hire, for example, three young professionals, train them for 3 months in the elements of marketing and SMAEX's programs (not to carry out SMAEX's programs - only to market them!) at SMAEX headquarter and/or in a Casablanca commercial school, and send them out 1 or 2 weeks per month. Six trips per person every 3 months x 15 visits per trip = 90 visits/person/quarter x 3 marketing agents = a total of 270 visits /quarter = more than 1/3 of the current 786 insured exporters. Perhaps half the visits should be made to find new clients, participate in seminars and group presentations in provincial towns.

Banks are able to operate branch offices outside Casablanca with professional staff now available in Morocco. SMAEX should be able to do the same.

Any marketing action plan should be an integral part of an overall business plan recommended above.

2. *SMAEX should be more active in regularly reminding organizations which arrange seminars related to export promotion of its willingness to provide speakers and panel members for such events.*

Efforts by SMAEX to organize seminars on its own have apparently not met with great success. This is all the more reason for SMAEX to participate actively in events organized by groups which can attract a large audience.

SMAEX might be more aggressive in seeking opportunities to explain its products and services. Rather than waiting to be invited to participate in seminars and meetings organized by banks, chambers of commerce and business associations, SMAEX should aggressively pursue such opportunities by

informing organizers of SMAEX's willingness to participate. To ensure maximum exposure SMAEX may even wish to sponsor a social event at such conferences.

SMAEX should recognize that every contact with clients, whether by telephone, fax, letter or face-to-face is a marketing opportunity and if it is not used it is an opportunity lost. SMAEX representatives should explain SMAEX actions and decisions, describe services and listen to the clients to learn about their specific needs in order to better serve them and to develop modified or new products and services.

3. *SMAEX may also wish to consider a few of the following marketing approaches as part of a marketing action plan:*

Set up a dedicated telephone line on which exporters can call in to determine the status of pending applications and to offer whatever additional information may be required to ensure a quick decision on an application. Several exporters commented that even the current average two-week delay in receiving responses can cause them to lose orders or miss out on coverage.

Designate one experienced employee to deal with applications received from first time exporters. Such firms may be less familiar with exporting procedures than firms which have exported previously and therefore may require more attention and help initially. If GOM efforts to encourage exports are successful, there should be an increasing number of firms new to exporting.

After widely distributing the new brochure describing the services offered by SMAEX, establish a newsletter to be distributed every two months. This newsletter should be seen as a marketing opportunity and should be sent to all current, past and potential clients. It should describe any new products as well as changes in existing products. It should contain information on upcoming trade fairs and encourage clients to attend using the cover available under *Assurance Foire* and *Assurance Prospection*.

Such a publication would an opportunity to mention success stories and to inform recipients about other firms which have increased sales abroad by using SMAEX. Space could be provided for client feedback. Reproducing and distributing such a newsletter should not be too expensive and would serve as a regular reminder to end-users that SMAEX is alive and well.

#### **4. For USAID Consideration:**

1. *USAID can assist export promotion most effectively and directly through export catalyst programs of the kind now underway to match the human and material*

*resources of Moroccan producers with foreign technical, management and investment inputs.*

The IESC *Trade and Investment Service*, the *Morocco Agribusiness Promotion Project*, and the *New Enterprise Development Project* are examples of USAID-sponsored programs. There may be other similar programs sponsored by other governments or by international organizations which can provide support.

2. *USAID could help strengthen SMAEX's effectiveness by contributing to further training of its professional staff in Morocco and overseas, perhaps through the Training for Development Project (608-0208).*

Given the unique and specialized aspects of export credit insurance, it may be possible to arrange training with the Export-Import Bank in Washington or with one of the several private firms which provide export credit insurance.

-END-

## ANNEX 1

### STATEMENT OF METHODOLOGY

The team spent four weeks in Morocco, of which three were devoted to interviews with officials from the Ministry of Finance, SMAEX, bankers, exporters, related associations and other individuals who provided information and opinions on the functioning of SMAEX (See Annex 3). The team visited Casablanca, Agadir, Marrakech, Meknes and Fez. SMAEX and the six banks interviewed in Casablanca provided information on SMAEX services and how they are perceived by the financial community.

In the other cities the team interviewed twelve exporters of seafood (3), olives (2), clothing (3), chemicals (1), agricultural tools (1), engine parts (1) and watches (1). These producers were selected to represent a variety of sizes, locations and export products. They were interviewed with a standard questionnaire (See Annex 5). These exporters are a small, statistically insignificant fraction of SMAEX's total clientele of over 400 exporters. However, while their responses reflected a variety of opinions, concerns and problems, they showed a degree of consistency in their experiences with SMAEX which strengthened their representative quality, despite their small number.

The team obtained further information from USAID project files, SMAEX annual reports, and a number of other documents shown in the Bibliography (Annex 2). The interviews with both banking and exporting groups raised a number of issues and questions which the team then reviewed with SMAEX before preparing a final draft of the report during the final week.

## ANNEX 2

### BIBLIOGRAPHY OF DOCUMENTS CONSULTED

Project Paper: *Private Sector Export Promotion Project (608-0189)*, USAID/Morocco, May 1986.

Project Paper: *Accessing International Markets (AIM) (608-0219)*, USAID/Morocco, July 1992

*Mid-Term Evaluation of USAID/Morocco's Private Sector Export Promotion Project*, Michael Borish, Dennis de Munnick and Suzanne Rivet, Ernst & Young for USAID/Morocco under A.I.D. Bureau for Private Enterprise Development Support Project, April 1990

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Bank Al-Maghrib Annual Report 1991

*Foreign Economic Trends Report, Morocco*, American Embassy, Rabat, April 1993

*Rapport: Mission Marketing SMAEX Parts I and II*, Jean-Michel Bachellerie, Equator Advisory Services Limited, January and July 1990.

*Mission Marketing SMAEX: Analyse du Marche et des Perceptions par la SMAEX; Definition d'un Plan d'Action Commerciale et d'un Plan de Communication*, Anne Falkman and Frederic Benzimera, July 1990

*Action Plan, FY 1992-1995, Morocco*, USAID/Morocco, December 1991

*Trade Finance in Developing Countries*, Yung Whee Rhee, Industry and Energy Department, The World Bank, Washington, D.C.

*Export Finance - Issues and Directions: Case Study of the Philippines*, Yung Whee Rhee, Kevin Young, and Eva Galvez, Industry and Energy Department, The World Bank, Washington, D.C.

*Evaluation of IESC Activities Funded by an A.I.D. Cooperative Agreement under the Morocco Private Sector Export Promotion Project (608-0189)*, Ludwig Rudel and Therese Belot, Louis Berger International, Inc. for USAID/Morocco, January 1992

### ANNEX 3

#### LIST OF INDIVIDUALS INTERVIEWED and USAID CONTACTS

*Ministere des Finances, Rabat*

Abdeltif Loudyi, Inspecteur des Finances  
Adjoint au Directeur du Tresor et des Finances Exterieures

*Societe Marocaine d'Assurance a l'Exportation (SMAEX), Casablanca*

Abdelhamid Jouahri, President Directeur General

Abdelkader Driouache, Directeur General Adjoint

Latifa Cherkaoui, Secetaire General

M. Rais, Chef du Depaartement Commercial & Developpement

Jalal Loubaris, Informatique et Controle de Gestion

*Banque Centrale Populaire, Casablanca*

Mohamed Msefer, Directeur General du Developpement

Jaafar El Kettani, Directeur des Participations

Lbachir Benhmade, Directeur des Relations Internationales

*Banque Commerciale du Maroc, Casablanca*

Rachid Tlemcani, Depaartement des Credits d'Investissement et de l'Ingenierie Financiere

*Banque Marocaine du Commerce Exterieur, Casablanca*

Mohamed Fassi-Fehri, *Direction des Departements Techniques*

*Banque Marocaine pour le Commerce et l'Industrie, Casablanca*

Fouad Ammor, International Department Head

*Credit du Maroc, Casablanca*

Jamal Lemridi, Directeur des Affaires Internationales

Mounir Lahlou, Direction des Affaires Internationales, Division de la Promotion du Commerce  
Exterieur

*Wafabank*, Casablanca

Abdellatif Benjelloun, Directeur de la Direction Private Banking

Abdelali Bennani, Directeur de la Division Gestion du Bilan et Tresorerie

*International Executive Service Corps (Corps International de Services des Experts)*,  
Casablanca

Alexander (Pete) Ladd, Directeur, Trade and Investment Services *Development Alternatives, Inc.*, Casablanca

Donald S. Humpal, *Chef de Mission, Morocco Agribusiness Promotion Project (M.A.P.P.)*

*USAID/RABAT*

*Office of Project Development and Private Enterprise*

Alexandr Shapleigh, Private Enterprise Officer

Susan Riley, Project Development Officer

Jamal Dadi, Project Development Specialist

Kamal Sebti, Project Development Specialist (SMAEX Project Manager)

Mark Krackiewicz, Program Economist

*World Bank*, Washington

Charles P. Humphries, Economiste Principal, Departement du Maghreb, Bureau  
Regional Moyen-Orient et Afrique du Nord

Hamid Alavi, Economiste, Industrie et Energie, Departement Maghreb

*American Consulate General*, Casablanca

Samuel J. Starrett, Senior Commercial Officer

*Groupement Professionel des Banques du Maroc*, Casablanca

Mohamed Azzedine Berrada, Delegee General

Badia Bakkali, Directeur

*Association Marocaine des Exportateur (ASMEX)*, Casablanca

Hassan Attou, Secretaire General

*Centre Marocain de Promotion des Exportations (CMPE)*, Casablanca

Mounir M. Bensaid, Directeur General

*A.M.A.D.I.R. - Conserverie Maritime d'Agadir, Agadir*

Export: Canned fish

Fatima Moussaid, Directrice

*Societe Oued Souss Conserves - Conserverie de Poissons, Agadir*

Export: Canned fish

Mohamed Guengue

Lahsen El Baissi

*OMACI, Agadir*

Export: Canned fish

Jamal Mourtada

*MACUITEX, Marrakech*

Export: Clothing

Abdelali Taj

*MARRATEX, Marrakech*

Export: Clothing

Michel Daunay

*R.I.M. - Consortium des Societes Benabdallah & Fils, Marrakech*

Export: Olives

Zouhair Benabdallah, Administrateur

*Conserverie des Rhamna, Marrakech*

Export: Olives

Ahmed Almastour

*Forges Industrielles du Maroc (F.I.M.), Meknes*

Export: Farm tools

B. Azougagh, Directeur

Az-Eddinde Zejli, Export Manager

*Microtechnica, S.A., Meknes*

Export: Watches

Abdelali Benchekroune, Managing Director

*FRIDEX Confection, Fez*

Export: Clothing

M'hamed Squali

*Societe des Derives du Sucre (SODERS), Fez*  
Export: Yeast  
Driss Mkhaneh, Sous-Directeur

*Societe Marocine des Fonderies du Nord (S.M.F.N.), Fez*  
Export: Truck engine components

Mohammed H. Laraqui, Administrateur Delege

*Other*

Mohamed Oubnichou, Administrateur, Business and Trade Center, Rabat  
Former USAID Export Promotion Project Manager

## ANNEX 4

### MEMBERS OF THE SMAEX BOARD OF DIRECTORS

M. Abdelhamid Jouahri  
President Directeur General  
SMAEX

#### *Banks*

M. Mohamed Fassi Fehri  
Direction des Departements Techniques  
Banque Marocaine de Commerce Extérieur.

M. Rachid Marrakshi  
Banque Commerciale du Maroc

M. Mustapha Rar  
Banque Centrale Populaire

M. Abdellatif Benjelloun  
Directeur de la Direction Private Banking  
Wafabank

#### *Insurance Companies*

M. Mohamed Saadi  
S.C.R.

M. Abdeljelil Chraïbi  
Al Watania

#### *Ministry of Finance*

M. Abdeltif Loudyi  
Inspecteur des Finances  
Adjoint au Directeur du Tresor et des Finances Exterieures

Mlle. Zoulikha Nasri

#### *Consultative Secretary*

M. Abdelkader Driouache  
Directeur General Adjoint, SMAEX

## ANNEX 5

### EXPORTER QUESTIONNAIRE

1. Name of firm Date
2. Location Phone/Fax
3. Subsector
4. Person(s) Interviewed
5. Annual turnover and age of firm; total annual exports:
6. Fully private?
7. What products do you export?
8. Value of exports last year?
9. Trend of your exports during the past 3 years? (Level, increase, decrease?)
10. To what markets?
11. Are you selling to the same markets or to new markets?
12. What are your major needs in exporting?
  - Finding markets?
  - Getting bank credit?
  - Production and processing problems?
  - How important is export credit insurance compared to your other exporting needs?
13. How and when did you hear of SMAEX? (From your bank? (Which one?)  
From some other source (which?))
14. Do you use SMAEX services?
15. If not, would any changes in the SMAEX program cause you to use it?

16. If so, which SMAEX services do you use?  
Assurance - Credit  
Risques commerciaux  
Risques politiques
- Assurance - Prospection  
Assurance Prospection Normale  
Assurance Prospection Simplifíee
- Assurance - Foire
17. Did SMAEX present and explain these services well?
18. How much insurance did you buy from SMAEX in 1992?
19. From your point of view does SMAEX insure credit or product?
20. Are your exports usually covered by irrevocable confirmed letters of credit?
21. Why do you use SMAEX services?
- To penetrate new mrkets which you think are risky?
- To insure against loss on sales to high risk buyers and markets?
- To make your receivables bankable?
22. What do you think of the SMAEX services you use?  
Timeliness?  
Reliability?  
Services well-defined and explained?  
Do you find SMAEX easy to work with?  
Other observations
23. What do you think of SMAEX premiums?
24. What other charges and commissions does SMAEX require in addition to the premiums?
25. Have you filed any claims for payment with SMAEX?
26. Was your claim paid in a reasonable and timely manner without undue investigation?

27. Did you use the export credit insurance cover previously available through BMCE? Do you think coverage and service have improved compared with the pre-1989 BMCE service?
28. Do you think there are sufficient and clear communications among SMAEX, its clients and the banks?
29. Have banks suggested or required that you go to SMAEX? Which bank(s) do you use for your export financing?
30. Has SMAEX helped you diversify or expand your markets?
31. Has SMAEX provided useful information about buyer credit?  
Other?
32. Has SMAEX helped increase your exports?
33. Would you have increased your exports without help from SMAEX?
34. How is the processing time for issuance of policies and payment of claims?
35. Is the 6 month payment time acceptable? Too long?
36. Has SMAEX approved credit limits for the amounts you asked? For less than you asked?  
For less than the amounts of credit you have granted in the past to buyers with good payment experience?
37. Does SMAEX consider your direct previous experience with a buyer when they set credit limits and in their underwriting?
38. Does SMAEX offer premium discounts if your clients have a record of reliability? Or for insurance for clients with short payment terms?
39. Do you think that SMAEX premiums should vary according to the risk insured?  
According to the tenor of the exposure?

#### SMAEX's Marketing Campaign

40. What do you think of SMAEX's marketing efforts? Do they get the word out enough?
41. Would you find it helpful to have a SMAEX representative in this city? In a local bank?

42. Would you find it useful if SMAEX (perhaps with local banks) provided more information (from representatives, in documents, through organizing seminars, etc.) of interest to exporters such as your firm?
43. Are there additional products and services you would like SMAEX to offer?

REPARTITION DU CAPITAL  
DE LA S.M.A.E.X.

I/ Etat Marocain = 10.000.000 DH 33,33 %

II/ Banques

- ARAB BANK	150.000	0,50 %
- B.M.C.E.	1.690.000	5,64 %
- B.C.P.	530.000	1,76 %
- Banque Populaire Casablanca	434.000	1,44 %
- Banque Populaire Agadir	434.000	1,44 %
- Banque Populaire de Fès	289.000	0,97 %
- Banque Populaire de Rabat	289.000	0,97 %
- Banque Populaire Oujda	289.000	0,97 %
- Banque Populaire Marrakech	217.000	0,72 %
- Banque Populaire Tanger	217.000	0,72 %
- B.C.M.	2.211.000	7,37 %
- B.M.C.I.	1.200.000	4,00 %
- C.D.M.	1.576.000	5,25 %
- S.G.M.B.	1.229.000	4,09 %
- S.M.D.C.	400.000	1,34 %
- UNIBAN	260.000	0,86 %
- WAFABANK	1.807.000	6,02 %
- B.M.A.O.	178.000	0,60 %

TOTAL BANQUES : .....13.400.000 44,66 %

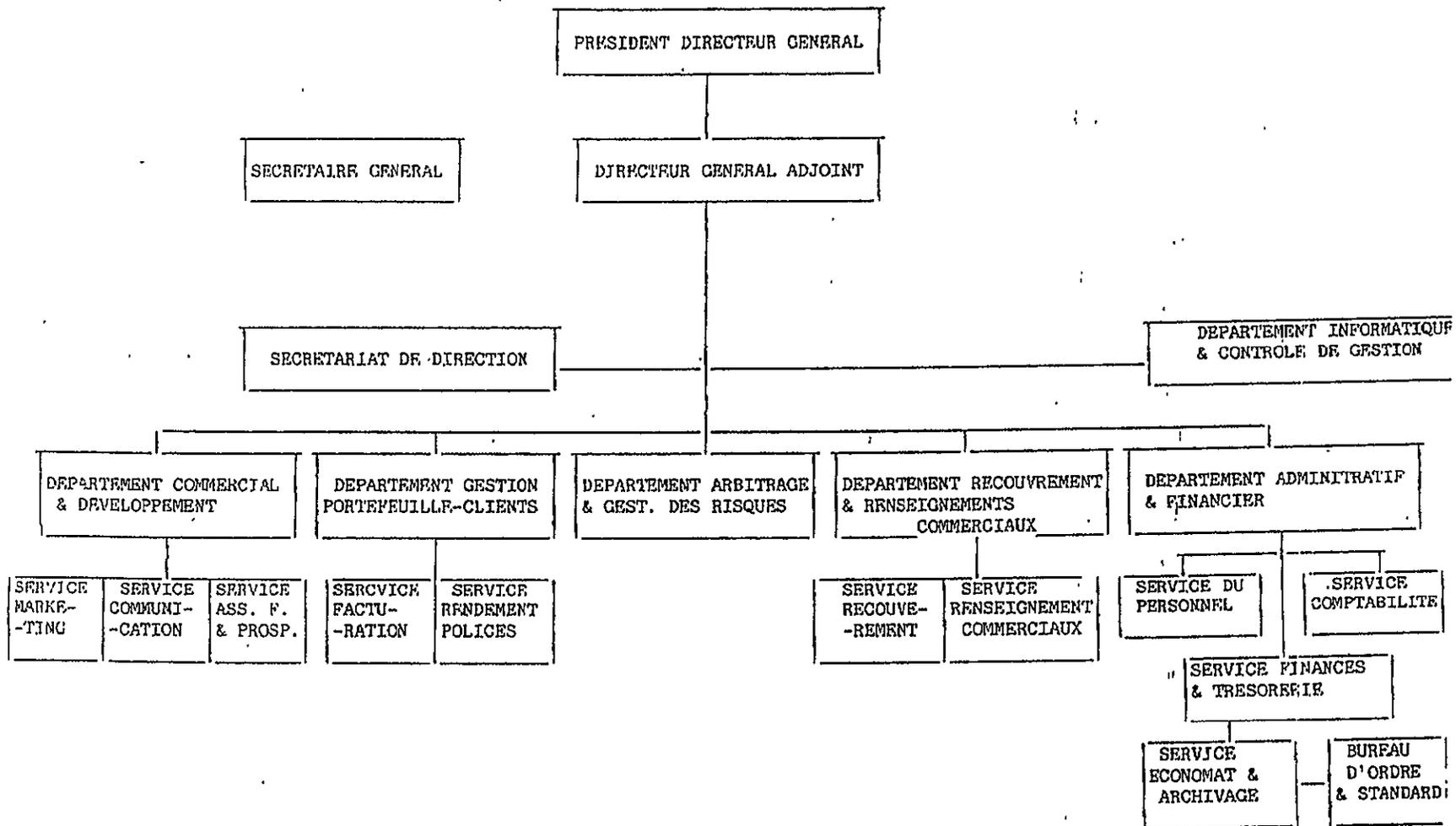
III/ Assurances

- S.C.R.	2.000.000	6,66 %
- Al Wataniya	1.300.000	4,33 %
- Amane Entente	1.000.000	3,33 %
- Cie Africaine	500.000	1,66 %
- C.N.I.A.	500.000	1,66 %
- R.M.A.	300.000	1,00 %
- SANAD	250.000	0,84 %
- Garantie Générale	250.000	0,84 %
- M.A.T.U.	250.000	0,84 %
- ESSAADA	250.000	0,84 %

TOTAL ASSURANCES : .....6.600.000 22 %

TOTAL GENERAL : ..... 30.000.000 100 %

ORGANIGRAMME



SMAEX Organizational Chart and Staffing Pattern



ANNEX 7 (Continued)

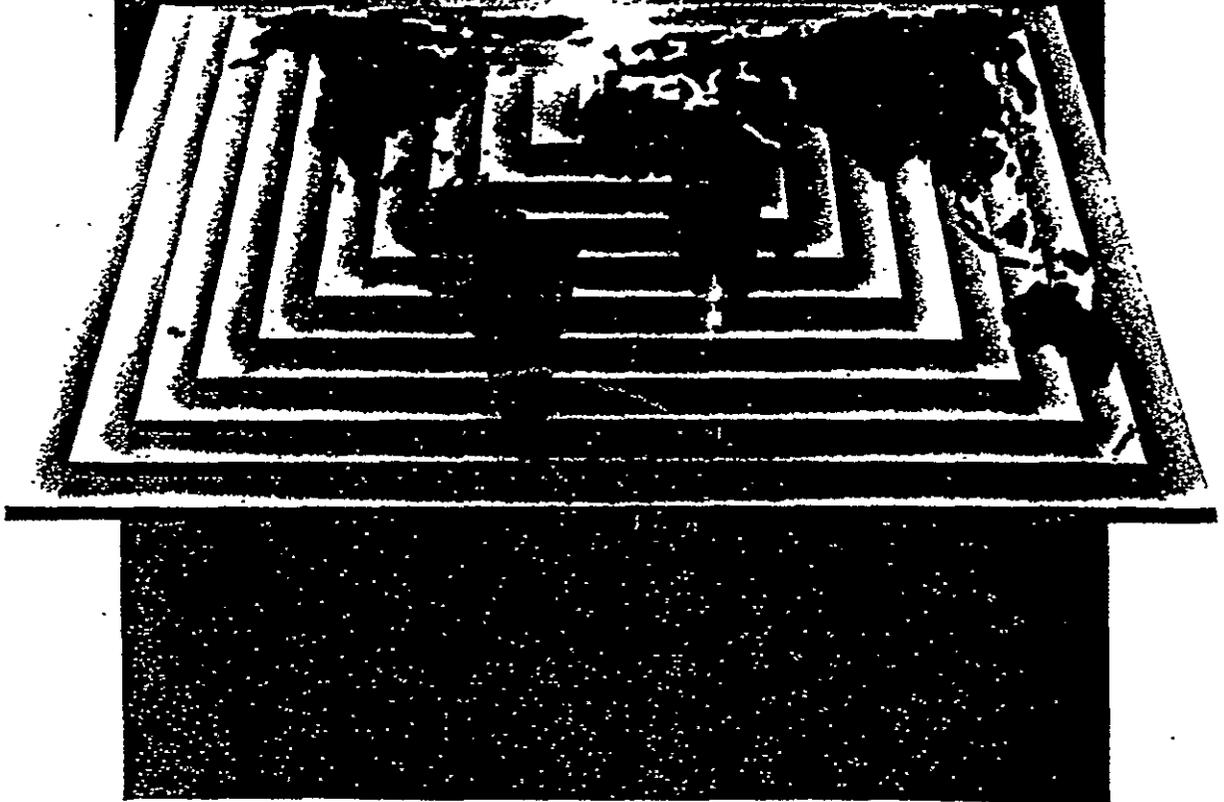
**ORGANIGRAMME**  
**(SUITE)**

DEPARTEMENTS	CHEF	CADRES	AGENTS DE MAITRISE	EMPLOYES & SECRETAIRES
COMMERCIAL & DEVELOPPEMENT	01	02	00	01
GESTION PORTE- FEUILLE CLIENTS	01	01	01	01
ARBITRAGE & GESTION DES RISQUES	01	02	00	02
RECOUVREMENT & RENSEIGNEMENTS COMMERCIAUX	01	02	00	02
ADMINISTRATIF & FINANCIER	01	01	01	08
INFORMATIQUE & C. DE GESTION	01	00	00	02
DIRECTION GLE	00	00	00	02

SMAEX Marketing Brochure

# SMAEX

LA CLAIRVOYANCE  
QUI PAYE



الشركة المغربية لتأمين الصادرات  
SOCIETE MAROCAINE D'ASSURANCE A L'EXPORTATION

## 6

*Building institutions to deal with the risk of nonpayment by overseas buyers***History in developed economies**

Official ECI/G schemes began almost 70 years ago in the developed economies of Europe. The UK scheme established in 1919 was to help reestablish export trade after World War I. During the 1920s several other European economies established ECI/G schemes, including Belgium (1921), Denmark (1922), the Netherlands (1923), Finland (1925), Germany (1926), Austria and Italy (1927), France and Spain (1928), and Norway (1929). The main rationale was also to reestablish export trade and revitalize the industries devastated by the war.

The 1930s worldwide economic depression provided a further impetus for establishing ECI/G facilities as a means to keep up trade flows and maintain employment and growth. During the early 1930s, Japan (1930), Czechoslovakia, Latvia and Poland (1931), Sweden (1933), the United States (1934) and Ireland (1935) established programs. In 1934, European credit insurers established the Berne Union, an unofficial international association of ECI/G agencies, to encourage cooperation among companies and exchange of information.<sup>22</sup> Most of the ECI/G schemes during the mid-1930s were owned and operated by governments, although four could be classified as "semi-private" (Czechoslovakia, Germany, the Netherlands, and Spain). The United States, in contrast, began with an official export credit financing program. Only in 1963, after 30 years of operation of the Export-Import Bank, did it establish an official ECI/G scheme. Other industrial

economies concentrated heavily on ECI/G from the outset, with back-up discount lending to commercial banks.

The outbreak of World War II halted the development of new ECI/G programs from 1939 to 1945. In the late 1940s and early 1950s, Japan established a full range of new ECI/G and trade financing programs to promote export trade and assist in reconstruction. The Federal Republic of Germany, Italy, and Austria set up new ECI/G and financing programs for the same reasons. By the mid-1950s, most developed economies had over 20 years of experience with these programs.

While capital markets have been able to meet the trade financing needs of large companies in most developed economies during the 1950s, access to adequate financing at reasonable repayment terms has been a problem for small and medium-size firms. Even large firms had trouble with access to postshipment financing when they wanted to sell on credit to foreign buyers in developing and East European nonmarket economies perceived too risky by the banks. ECI/G acquired increasing importance in these circumstances particularly as markets became more competitive and buyers began to demand more extended credit terms.

**History in developing economies**

In 1957 India established the Export Risks Insurance Corporation, a privately owned entity later replaced by a state-owned scheme. In the 1960s several other developing economies — Argen-

tina, Bolivia, Brazil, Greece, Hong Kong, Korea, Pakistan, Peru, and Portugal — established ECI/G programs. By the late 1960s, the need to cover nonpayment risks by ECI/G increased dramatically, as developing economies found themselves expanding exports in a far more competitive international market. A third wave of developing economies established programs in the 1970s, among them Ecuador, Jamaica, Malaysia, Mexico, Morocco, Singapore, Sri Lanka, Taiwan, Uruguay, and Venezuela. In the mid-1970s, the Berne Union significantly expanded its membership to include ECI/G agencies in a number of developing economies, including Argentina, Hong Kong, and Portugal. In the 1980s, a new group of developing economies have initiated ECI/G activities.

These schemes roughly parallel the level of manufactured exports in developing economies (table 4; figure 1). Further, the presence of ECI/G schemes roughly parallels a country's stage of economic development classified by the 1987 *World Development Report* (World Bank 1987d). All 20 industrial market economies (including Luxembourg, not listed in WDR) and about 80 percent of the 26 upper middle-income economies (including Taiwan, Cyprus, and Barbados, not listed in WDR) had ECI/G schemes. On the other hand only 30 percent of the 36 lower middle-income economies and only a sixth of the 37 low-income economies had ECI/G (Rhee 1989, p.47) and many of those schemes were either not effective or not in operation.

#### Rationale for export credit insurance and guarantee

The rationale for ECI/G arises from imperfect information in banks, trading companies, and exporter firms on overseas buyers and their economies. To the extent that banks, trading companies, and exporters in developing economies are unable to exploit scale economies in overseas information-gathering because of their small size and inexperience, the role of ECI/G in developing economies may be even more important than in developed economies (Gersovitz 1986). On the other hand, to the extent that the types of export goods and market destinations are such that overseas buyer nonpayment risk is smaller in developing economies, the ECI/G would be less important. For example, most exports are going to the developed countries, where political risks, including debt rescheduling are virtually absent. The relative weight of these two aspects

will determine the role of ECI/G.

The adverse selection issue in traditional insurance, where the insured has better information on possible losses than the insurance agency, may not apply directly in the case of ECI/G in most developing economies in an early stage of development. It would be difficult to assume that exporters or banks in developing economies have better information on reliability and honesty of importers and their governments than the ECI/G agency does. With scale economies in overseas information-gathering and government agencies' advantageous position in dealing with other governments on country risk, the ECI/G agency is in a better position to judge importers and importing economies for proper ECI/G coverage. Again, justification should be soundly based on net social benefit criteria. Thus, just as in the case of PEFG, the information function of ECI/G agency appears to be the most important of its functions. However, there is the basic difference between ECI/G and PEFG: the information function of the former is to conduct buyers' nonpayment risk evaluation to decide on coverage, while that of the latter is to eliminate loan misuse risk, covering nonperformance risk of all exporters with genuine export orders.

#### Key elements in institution-building

For a developing economy in an early stage of export development, the relevant issues are when and what type of ECI/G scheme to establish. The correct timing for establishing an ECI/G is when the expected net social gains from increased exports facilitated by an ECI/G outweigh expected social costs. While it is not easy to measure potential additional exports or the learning period required for institution-building, performance of the ECI/G depends on operational effectiveness, and the issue of optimum timing cannot be separated from operational effectiveness or learning impact.

All but three programs in the last 25 years were initiated when the total export base was over \$300 million. All but three countries (Cyprus, Jamaica, and Greece) had nontraditional exports of over \$100 million. The value of nontraditional exports appears to have been more important than overall export levels in determining startup timing. Another key factor was the extent to which exports were being sold to non OECD countries, where the risks were perceived to be greater. All but four economies (Cyprus, Colom-

**Table 14 A comparison of ECI/G schemes**

	<i>Developed economies</i>	<i>Developing economies</i>
Government ownership only	9	26
Both public and private ownership	7	3
Mixed ownership only	3	7
Private ownership only	2	4
<b>Total</b>	<b>21</b>	<b>40</b>

bia, Jamaica, and Morocco) started their programs when exports to nonindustrial countries exceeded \$100 million a year. However, past experience can serve only as a broad indicator. The optimum timing issue needs to be addressed based on the particular circumstances of an economy, including the current and potential structure of its export market and products and its institutional capabilities. For example, in such countries as Trinidad and Senegal, ECI/G schemes may have been set up prematurely, given their weak export bases. For a small developing country with a weak export base, it may be advantageous to rely mainly on a combination of exports based on L/Cs to countries that do not face political risk, and multinational bank or foreign trading company credit-based trade finance in dealing with the overseas buyers nonpayment risk, rather than investing in an ECI/G agency. A multicountry ECI/G scheme may be an option.

Table 14 summarizes the ownership pattern of ECI/G schemes in 21 developed and 40 developing economies. While the coexistence of public and private ECI/G schemes is notable in developed economies, table 14 indicates the dominant role of government support has played in ECI/G schemes in both developed and LDC groups. Government ownership of ECI/G usually is implemented either through a department or agency; through a public corporation or public fund; or through an insurance or banking institution. Private ownership can be through a private insurance company with private reinsurance; or a privately owned insurance company with government coinsurance or reinsurance. In mixed ownership, the company is jointly owned by the government and the private banks or insurance companies.

The government insures the risk even when the ownership is private or mixed. Most or all coun-

try risk and large parts of commercial risk are handled through coinsurance or reinsurance. Since country risk coverage typically results in greater losses than commercial risk, governments usually assume political risk coverage. Few private banks or insurance companies anywhere have sufficient resources to underwrite political risk. Further, private companies have less ability to deal with governments in resolving payment problems. Private sector companies are likely to limit coverage to countries with limited risk, and to charge much higher premiums.<sup>23</sup> Governments tend to provide more extensive coverage with lower premiums, as their objective is to maximize net social gains.

Commercial risk, based on specific transactions with particular buyers, lends itself to underwriting by private sector entities or consortia, in that the losses involve individual buyers. Some also argue that the private sector has a better capacity to evaluate commercial risk. But there are drawbacks to private sector participation even in commercial risk coverage. For instance, companies may not have the capacity to underwrite a sufficient volume of insurance to meet exporters' needs. They may choose to insure only the better risks or charge higher premiums for riskier buyers. They may be less likely to want to deal with smaller and less experienced exporters. Few economies have sufficient export volume to justify more than one viable ECI/G facility. Where both government and private companies offer commercial risk ECI/G, private companies may insure the best risks. The government is then left with a program that is not viable.

The government is the logical provider of ECI/G, particularly in developing economies. Under a public ECI/G scheme, the optimum premium level should be consistent with a nonprofit status in a medium- to long-term accounting framework, to avoid violating GATT rules. (The rule relates to not subsidizing exports by running a public sector ECI/G perpetually in deficit.) Ultimately, as volumes increase, the aim is to have complementary public and private schemes. In particular, where private companies can provide a portion of needed funding or have significantly greater expertise in evaluating risks than does the government, their capital or human resources should be utilized.

Joint assumption of commercial risks can be explored, with risk-sharing structured in several ways. For example, private companies can assume the risk up to a certain amount for an econ-

omy and/or a buyer, with the government taking the amounts above that level. Risks can be shared on a percentage or maturity basis, with private companies taking the shorter maturities or smaller percentages. Another approach is to obtain private reinsurance, which lessens the amount of resources a government or domestic private company needs to supply. A newly established ECI/G is unlikely to obtain reinsurance facilities from the private market until it has established a track record. Also, it should be noted that some developing country programs that separate commercial and political risk coverage into private and government schemes have not yet become fully effective, (for example, Mexico).

### Three functions of an export credit insurance and guarantee agency

Just as with PEPG, the three functions of the ECI/G agency are: information-gathering, risk-reduction, and riskpooling. The information function is key, and the other functions are dependent on the information function.

Due to the embryonic stages of information on overseas markets and the existence of scale economies with information gathering, the role of ECI/G agencies in dealing with imperfect information on buyers in developing economies is broader than in developed economies. Arrangements that usually internalize risk-taking — the trading company or modern banking and documentary credit systems — are not adequately developed in developing economies. Thus, the ECI/G agency needs to play a catalytic role in overseas information-gathering and technical assistance to exporters and banks that goes beyond narrowly defined ECI/G activities.<sup>24</sup> Since imperfect information about overseas buyers and their countries is the ultimate source of risk, and since overseas information collection has tremendous scale and external economies, the ECI/G should play a lead role. The ECI/G agency must play a leadership role for the whole export community in overseas buyer information. For example, a handbook of the Hong Kong Export Credit Insurance Corporation describes its information and risk-reducing activities as follows: "Backed up by a computerized data bank with detailed information on some 55,000 overseas buyers and, more importantly, to advise the exporter on how much credit he may prudently offer to other buyers..."

Institutional maturity in the ECI/G area normally is achieved only after a long, systematic

learning period. Success or failure depends on a capacity to survive and adjust during this learning-by-doing period. Because of the learning periods involved and the short-term fluctuations in ECI/G coverage stemming from instability in trade volumes, the financial performance of ECI/G agencies normally has to be judged over the medium term. The GATT rule uses a multi-year framework to determine if the premium results in a zero subsidy. All ECI/G agencies suffer losses during an initial period because their initial premium volume is insufficient to cover the administrative expenses. If the learning period is significant, the start-up period should be followed by underwriting of profits to achieve the zero profit status, with an appropriate premium in the medium and long run. This pattern appears to have been followed by almost all ECI/G agencies worldwide.

Establishing an ECI/G scheme does not guarantee its success. Operational effectiveness must be achieved. ECI/G systems in several developing economies have serious weaknesses that result in operational ineffectiveness. The typical pattern appears to be a vicious circle of: limited access by exporters who need coverage, limited interest by well-established exporters who are not interested in selling to risky markets that require ECI/G coverage; financial difficulties of ECI/G agencies stemming from the low volume of coverage and a failure to convince banks and other financing institutions of the value of ECI/Gs as collateral. The end result of this vicious circle is a failure to achieve the original objective of the ECI/G — to maximize the net social gains stemming from the additional exports generated by the scheme.

The difficulties in some economies contrast with the situation in most developed economies in the 1980s (Bauman and Braga 1986, World Bank 1987). In most LDCs, claims on the ECI/G programs reached historical peaks because of debt problems. The result has been higher premium, increased conservatism in underwriting, and the designation of whole economies as off-limits to OECD ECI/G agencies. A number of private ECI/G companies in the U.S. and the UK have ceased or sharply curtailed their risk-taking. While the problems in developed economies stem from excessive extensions of riskier coverage, the difficulties in some developing economies stem in part from excessive risk aversion by exporters and ECI/G agencies.

These difficulties will not be resolved unless

their governments pursue an integrated, comprehensive approach. Equally important is to learn the right skills and lessons from successful economies. In developing a comprehensive reform program, corrective measures will need to deal with the following issues:

- Learning in the startup phase is too slow.
- The lack of a clear directive from the governments has meant some agencies have been sidetracked by an uninterested parent entity.
- Some agencies are not adequately capitalized.
- Some agencies have failed to market their programs.
- While some agencies relied heavily on ineffective private organizations, some have been excessively public sector-oriented and have not been in tune with the needs of private exporters and banks.

- Some programs which have been inadequately staffed, have lost touch with international developments, and have not been competitive.

- Some agencies have followed excessively conservative underwriting practices and have denied claims arbitrarily or taken too long to process them.

- Some agencies have been swamped with paperwork and unable to provide good service.

At the same time, many schemes have matured enough to play a key role in their economy's export development. As the ECI/G agencies of many developing economies become more sophisticated and expert, they are approaching the level of institutional development that their OECD counterparts achieved 20 to 30 years ago.

## Philippines Export Finance Case Study excerpt

VIII. POSTSHIPMENT EXPORT FINANCING AND  
EXPORT CREDIT INSURANCE/GUARANTEE

## A. Survey Results on Methods of Payments for Exports

8.01 The main method of payment for the majority of Philippines exporters (other than consignment exports) has been sight L/Cs (see exporters' responses summarized in Tables 21 and 22). This appears to be consistent with aggregate export financing data (see Chapter II, Tables 1 and 2) that indicate the share of postshipment export loan is about 10% of total export loans made by the CB. Also, the data appear to support an argument that an export credit insurance and guarantee system (ECI/G) that covers exporters and banks from "overseas buyers non-payment risk" may not have a high priority right now.

**Table 21: DISTRIBUTION OF SAMPLE EXPORT FIRMS  
BY PAYMENT OF EXPORTS**  
Number of Firms Using Method of Payment

Industry	L/C	Sight L/C	Usance D/A	D/P	Others	Total
Electronics	1	-	-	-	2	3
Garments	17	-	-	1	4	22
Textile	2	-	-	-	-	2
Gifts, toys and housewares	24	2	2	4	12	44
Fash/Leather	8	-	-	2	4	14
Furniture	10	-	-	-	3	13
Food	6	1	1	1	-	9
Footwear	4	1	-	-	-	5
Total	72	4	3	8	25	112
(Percentage)	(64.3%)	(3.6%)	(2.7%)	(7.1%)	(22.3%)	(100%)

**Table 22: NUMBER OF SAMPLE FIRMS RELY ON SIGHT L/Cs  
FOR PERCENTAGE OF FIRMS' EXPORTS**

Industry	0 - 50%	51 - 90%	91% and more	Total
Electronics	1	-	-	1
Garments	-	1	16	17
Textile	-	-	2	2
Gifts, toys, and housewares	1	5	18	24
Fash/Leather	-	3	5	8
Furniture	1	-	9	10
Food	1	-	5	6
Footwear	1	-	3	4
Total	5	9	58	72
(Percentage)	(6.9%)	(12.5%)	(80.6%)	(100%)

## B. Export Credit Insurance/Guarantee

8.02 In interpreting the structure of the export payment methods, it should be noted that the dominance of sight L/Cs may stem partly from the risk-averse attitude of exporters and banks. For example, a footwear exporter made it a rule never to accept an order from a foreign buyer who could not open an irrevocable sight L/C. This was because the exporter previously had difficulties collecting \$10,000 from a Middle Eastern buyer. An exporter from Baguio indicated that he dealt only with buyers he could trust in accepting payments through telegraphic transfers, because relying on the L/C mechanism was ineffective in Baguio.

8.03 In the case of these two exporters, it may be difficult to conjecture about any loss of export orders stemming from the insistence of particular methods of payment. However, better ways to deal with buyers' non-payment risks certainly need to be considered in future strategies for more aggressive export promotion in the Philippines.

8.04 It should be stressed that expertise required to manage an ECI/G agency that deals with non-payment risks from importers is entirely different from that required to manage an effective PEFG agency. The former focuses on buyers' commercial and political risks; the objective of the latter is to address the risks of small or infant exporters unable to meet export orders according to specifications or on time, due to their lack of technical, marketing and managerial skills.

8.05 Furthermore, the optimum timing and scale for establishing an ECI/G agency have no relationship with the criteria for establishing a PEFG agency. Therefore, it is desirable to evaluate the need for establishing the two kinds of facilities quite separately. Although both functions could reside in the same organization (for example, to save overhead costs or to consolidate efficient top managers), the actual operation and accounting, as well as capital structures, need to be separate.

8.06 In 1984 the CB Export Finance Task Force conducted a field survey covering about 200 exporters and 15 commercial banks in order to assess the need for a new ECI/G agency. Based on its survey, it concluded:

"The Task Force is of the opinion that the need to activate the scheme may be considered as not being immediate and thus may be deferred for a later period. The scheme's implementation may be postponed until such time that the country's exports, especially of semi-capital and capital goods have reached a certain degree of sophistication which would warrant the full support of the export credit insurance."

However, the Task Force also noted in its report that:

-- "There also seems to be an immediate need for a facility whereby exporters, especially the small and new exporters, can obtain reliable and first-hand information on the credit-  
standing of their buyers. It was, perhaps, for this reason that some exporters had incurred substantial losses in their business with new buyers. And may be one reason why some established exporters are reluctant to pursue new markets other than their traditional buyers."

8.07 It should not be overlooked that the area indicated in the second statement is, in fact, one of the important tasks of an ECI/G agency. The information function of an ECI/G agency for the whole export community is as vital as the risk-pooling function for the success of ECI/G operations. Even though creation of an ECI/G may not be so urgent as an effective PEFG agency at this moment, there is no question that demands for ECI/G activities, including information services, will increase as the Philippines export structure becomes more sophisticated and as more active export marketing efforts are pursued. Therefore, the optimum timing and scale for a new ECI/G need to be reviewed carefully.

ANNEX A

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

Life of Project: FY 86 to FY 91  
 Total U.S. Funding: \$20,000,000  
 Date Prepared: January 1986

Project Title & Number: Private Sector Export Promotion (608-0189)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To increase the export earnings of Morocco's private sector firms, and hence, to strengthen Morocco's capacity to service its debt and finance its investments for development.</p>	<p>Measures of Goal Achievement:</p> <p>Mean net present value of additional exports earnings estimated at \$114 million over the period 1987 to 1991.</p>	<p>Official trade statistics (Ministry of Finance; GOM)</p>	<p>Assumptions for achieving goal targets:</p> <p>International markets remain open to Moroccan goods.</p>
<p>Project Purpose:</p> <p>To increase exports by Morocco's private sector.</p> <p>Sub-purposes:</p> <p>(i) to expand export credit insurance coverage</p> <p>(ii) to expand export prefinancing credit to small and medium-sized firms and new users.</p> <p>(iii) to improve the export production and marketing capacity of beneficiary firms and improve the capacity of the CMPE to service private exporters.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>Beneficiaries' exports increase as a result of project assistance</p> <p>(i) New facility insures at least 20% of insurable national exports</p> <p>(ii) Approximately 150 new users obtain prefinancing credit</p> <p>(iii) Project beneficiaries lower costs of production, increase sales of exports and expand to new buyers.</p>	<p>Trade statistics; Project reports</p>	<p>Assumptions for achieving purpose</p> <p>GOM's will to maintain reforms continues.</p> <p>Moroccan firms adapt to competitive export behavior.</p> <p>GOM does not impede private sector export growth.</p>

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Project Logical Framework

ANNEX II

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
(i) An efficient privatized export credit insurance organization established	(i) - 50% of new organization is owned by private sector. - Time for processing applications and claims decreases. - New organization makes final decision on at least 50% of credit applications. - New types of insurance policies issued in response to exporter's needs. - Reinsurance agreements established with non-governmental entities.	Records of: Banque du Maroc Insurance facility Statistics of: Office des Changes Banque du Maroc TA contractors' reports	Moroccan firms are willing to purchase services of industrial specialists
(ii) Export prefinancing credit facility established for small and medium-sized firms and new users	(ii) - \$8 million allocated to firms meeting specified eligibility criteria.  - Additional authorizations for short-term prefinancing credit aggregate at least \$30 million over a five year period.		
(iii) Management and technical skills improved in firms assisted by the IESC.	(iii) - Approximately 130 firms assisted by the IESC. - App 12-15 seminars/workshops held for exporters. - 2-3 promotional packages developed for specific Moroccan industries.		
-- Improved information and services provided by the Moroccan Center for Export Promotion.			
-- Studies and activities undertaken to support export promotion.			



Evaluation Scope of Work  
 PCE-0001-I-01-2050-00

EXHIBIT 1

EXPORT CREDIT INSURANCE COMPONENT  
 of the  
 PRIVATE SECTOR EXPORT PROMOTION PROJECT  
 (608-0189) -- USAID/MOROCCO  
 FINAL IMPACT EVALUATION  
 SCOPE OF WORK

I. ACTIVITY TO BE EVALUATED

PROJECT TITLE: Private Sector Export Promotion Project: Export  
 Credit Insurance Component.

COOPERATING INSTITUTION: Société Marocaine d'Assurance à  
 l'Exportation (SMAEX)

PROJECT COST (000): \$8,000 Loan:Capitalization of Reserve Fund  
 1,400 Grant:Technical Assistance, etc..  
 -----  
 \$9,400 Total

LIFE OF PROJECT: Originally 5 years; PACD: December 31,  
 1991; extended to 6/30/93; activities for  
 the component terminated 12/31/91

The evaluation will focus on the Export Credit Insurance component of the Private Sector Export Promotion Project, an "umbrella" project comprised of four separate and distinct components. The remaining three components are not scheduled to be evaluated at this time. The entire project was evaluated 3/90, a final impact evaluation of the Export Production & Marketing Assistance Program component was completed 1/92, and the Export Investment Loan Guarantee Fund, delayed in its implementation, is not due to be evaluated until 6/93.

II. PURPOSE OF THE EVALUATION

The purpose of the evaluation is to undertake a final impact evaluation of the Export Credit Insurance component for which activities were completed 12/31/91. This evaluation will have as its major objectives 1) to determine to what extent project objectives and projected outputs have been realized, 2) to assess the effectiveness of the activity, and 3) to detail lessons learned.

### III. BACKGROUND

#### A. The Project

The Private Sector Export Promotion Project was initiated in May 1986 with life-of-project funding of \$20,000,000 and a PACD of June 30, 1991 (later increased to \$29,400,000 and extended to June 30, 1993).

The Export Credit Insurance component of the Private Sector Export Promotion project originated with a life-of-project funding of \$9,400,000: \$8,000,000 to be provided as a loan to the GOM to establish a reserve fund for an export credit insurance program and \$1,400,000 available as a grant to fund technical assistance, training and equipment in order to create and establish a new export credit insurance organization.

- o The goal of the project is to increase the export earnings of Morocco's private sector firms, and hence, to strengthen Morocco's capacity to service its debt and finance its investments for development.
- o The overall purpose of the project is to increase exports by Morocco's private sector.
- o The purpose of the Export Credit Insurance component has been to expand export credit insurance coverage.
- o The stated output of the project component is an efficient privatized export credit insurance organization providing increased insurance coverage for Morocco's exports and improved services to its exporters.
- o The stated activities include:
  - transfer of the existing program to a new independent entity
  - establish a reserve fund
  - streamline administrative and operating procedures
  - develop a marketing program

#### B. Project Status

In June 1986, in compliance with the Private Sector Export Promotion Project Agreement, the Government of Morocco (GOM) agreed to transfer its existing export credit insurance program, then operating as a special department of the Banque Marocaine du Commerce Extérieur (BMCE), to an independent entity whose ownership would be shared by the GOM and private commercial banks and insurance companies. As a result, the Société Marocaine d'Assurance à l'Exportation or SMAEX was created. Beginning in 1987, to assist the fund in becoming operational, the Export Credit Insurance component of the Private Sector Export Promotion Project provided funding

though its contractor Equator Advisory Services (EASL) for both short-term and long-term technical assistance, as well as for training and equipment. During 1988, SMAEX's capital base of DH 30 million was committed and paid in with 50.43% sourced from the private sector thereby enabling SMAEX to begin operations on January 1, 1989. In mid-1989, the project funded a long-term concessional loan of \$8 million to the GOM for the purpose of on-lending to SMAEX to capitalize its commercial risk fund. SMAEX has issued approximately 700 insurance contracts to date. The EASL contract ended on December 31, 1991.

#### IV. STATEMENT OF WORK

##### A. Main Issues.

The evaluation will address two separate aspects of the project component: 1) SMAEX as an institution; and 2) the macro and micro-level impact of the export credit insurance. Other issues including lessons learned will also be addressed.

##### 1. SMAEX: Institutional Analysis

In order to determine the institutional effectiveness of SMAEX, the evaluators will:

- o evaluate the effectiveness of the Project in meeting the stated output of an efficient privatized export credit insurance organization providing increased insurance coverage for Morocco's exports and improved services to its exporters.
- o conduct a thorough analysis to determine if SMAEX has effectively managed its insurance portfolio. This will necessarily entail such factors as diversification of risk and soundness of underwriting decisions. Has the reserve fund been appropriately invested? Has the firm maximized profits?
- o determine how effective SMAEX is in terms of processing applications and claims. Has the program been properly promoted and met the needs of its client base?
- o determine if the Morocco Export Credit Insurance program is perceived to have greater credibility under SMAEX as opposed to the BMCE Export Credit Department? Has it made a difference that the firm was privatized? Determine if SMAEX is acting like a fully privatized organization or if it has characteristics of a public sector organization.
- o determine the current and projected financial and institutional viability of SMAEX.

## 2. Macro and Micro-Level Impact of Export Credit Insurance

a. Macro-Economic Impact. In order to determine the macro-economic impact of the export credit insurance provided through SMAEX, the evaluators will:

- o evaluate the project's progress in meeting its purpose and goal level objectives: to expand export credit insurance coverage; to increase exports by Morocco's private sector; and to increase export earnings of Morocco's private sector firms.
- o determine to what extent coverage of export credit insurance has expanded. Would the expansion have occurred had the project not established a new organization? Has the privatization aspect influenced expansion?
- o determine to what extent Morocco's increased export earnings and improved balance of trade and debt-servicing capacity can be attributed to this project.

b. Micro-Economic Impact. In order to determine the micro-economic impact of the component, the evaluators will:

- o determine at a firm level the impact the project has had on its ability to export. To what extent have exports increased particularly among private sector firms? To what extent have exports increased among firms covered through SMAEX?
- o determine if firms would have increased their exports if they had not received coverage through SMAEX? If exporters were not able to get insurance would they have taken the risk anyway, i.e., did export credit insurance therefore increase exports?
- o determine to what extent export credit insurance made companies' loan requests "bankable," therefore permitting access to financing required to export? Did banks play any role in "steering" firms to SMAEX?

### 3. Other Issues.

The evaluators will:

- o identify constraints or potential problems that might have delayed or impeded the achievement of these various objectives. Summarize lessons learned.
- o determine if the benefits of the project being generated are at an acceptable cost compared with possible alternative approaches to accomplishing the same objectives?

- o determine if the Project has resulted in a sustainable development impact. Are there any other export related activities or further SMAEX activities which A.I.D. should fund?
- o identify any useful lessons learned or insights gained which may be applicable to the design of future projects of a similar nature.

#### V. METHODOLOGY

The evaluation team will come to Morocco and over a four week period (eight man weeks) meet with all necessary individuals associated or involved with SMAEX. The team should visit approximately 25 SMAEX clients, using an appropriate sampling, in order to identify the impact that SMAEX insurance coverage has had on its clients' ability to export. The firms selected for visit should be a cross-cut of SMAEX's clientele in terms of firm size, geographic location in Morocco and sector of activity.

Similarly, bankers play an important role in determining the demand for SMAEX' services. The team will interview an appropriate sampling of Moroccan bankers and/or associated institutions such as the Moroccan Bankers' Association to determine the project's impact.

#### VI. COMPOSITION OF THE EVALUATION TEAM

The evaluation team will be composed of two principal members, a team leader and an expert in export credit insurance programs. The team leader shall have a record of successful prior experience in conducting project evaluations, including work as a team leader. The second individual should have relevant skills and demonstrated expertise in projects involving credit insurance programs.

All team members must have a minimum French language ability at the Foreign Service Institute (FSI) S3/R3 level.

The contractor will be responsible for all logistical support for the evaluation team. Office space, transportation, printing, typing, translation, etc., will not be provided by USAID.

The team should note that while USAID/Morocco is located in Rabat, most Moroccan commercial banks and financial institutions are located in Casablanca. Firms assisted by project components are located throughout Morocco, including locations in Agadir, Fes, Marrakech, Meknes, and Tangiers. The contractor should be prepared to coordinate travel for team members to different locations within the country. Public transportation (airlines, trains, intercity taxis and buses) is available as are rental cars.

The contractor should also note that a six-day working week will be authorized under this work order.

## VII. DELIVERABLES

The team will be responsible for producing an evaluation report which responds to the terms of reference in this scope of work. Seven days prior to departure the team will submit to the USAID project Manager a draft A.I.D. Activity Evaluation Summary and a draft evaluation report and make an oral presentation to USAID and to the GOM. Based on comments from review of the draft report, the team will make appropriate revisions. The team leader will submit four copies of a final integrated report to the Project Officer prior to departing Morocco.

Ten copies of the final, printed report will be delivered to the USAID project manager within two weeks of the team's departure from Morocco. An additional 15 copies of the final printed report will be sent to USAID at the same time by APO. Ten copies of a French translation of the executive summary, conclusions and recommendations will be submitted to USAID at the time the final report is submitted.

The team will provide USAID with discs containing both the French and the English report texts in Word Perfect 5.1.

The report will contain the following sections:

- A. A.I.D. Evaluation Summary (AES) prepared in draft in cooperation with the appropriate USAID/Morocco offices
- B. Executive Summary (3-5 pages single spaced)
- C. Contents: Describe the context in which the project was developed and implemented. Provide evidence and analysis which form the basis for conclusions and recommendations. The evaluators will clearly distinguish between their findings and their conclusions and the recommendations that follow. (Maximum of 40 pages single spaced)  
Appendices may include additional supporting analyses.
- D. A short and succinct statement of conclusions and recommendations which are mutually supporting. When possible, recommendations should indicate who should take responsibility and when for the recommended action.

E. Appendices: Appendices should include the following:

1. Evaluation scope of work
2. Description of the methodology used in the evaluation  
(e.g., indicators used for measurement of impact)
3. Bibliography of documents consulted
4. A list of persons contacted/interviewed
5. Other

Contract No. PCE-001-I-00-2050-00, Delivery Order No. 1  
 Evaluation of Private Sector Export Promotion Project, Export Credit Insurance Component

## PROPOSED WORK SCHEDULE

Dates	Activities	Work-days (including travel time)			
		Ward	Beneville	Total	
April 15-16	Team assembles in Washington to review available background materials including previous evaluations; meets with knowledgeable A.I.D., World Bank, Ex-Im Bank, OPIC, and USDA officials for background information and guidance; begins preparation of questionnaire and report outline; travels to Paris evening of April 16 (Per diem location: Washington)	2	2	4	
April 17-18	Team overnights in Paris; flies to Casablanca and drives to Rabat, arriving the evening of April 18 (Per diem location: Paris)	1	1	2	
April 19-21	Team meets with USAID and GOM to agree on schedule, appointments, and workplan; reviews project documents, relevant economic data, country program strategy, SMAEX database, etc; selects SMAEX client sample for interviews; meets with Min Finance, Rabat banks, American Embassy economic/commercial officer and others recommended by USAID; sets up appointments for Casablanca (Per diem location: Rabat)	3	3	6	
April 22-27	Team meets with SMAEX, Moroccan Bankers Association, bankers, SMAEX clients; American Consulate commercial officer and others; drives to Marrakech (Per diem location: Casablanca)	5	5	10	
April 28-29	Team meets with SMAEX clients in Marrakech and Agadir (Per diem location: Marrakech)	2	2	4	
April 30-May 3	Team drives to Fez; meets with SMAEX clients and bankers in Fez and Meknes; drives to Tangier (Per diem location: Fez)	3	3	6	
May 4	Team meets with SMAEX clients and bankers in Tangier (Per diem location: Tangier)	1	1	2	
May 5-9	Team meets with SMAEX clients in Kenitra en route from Tangier to Rabat; completes draft report in Rabat (Per diem location: Rabat)	4	4	8	
May 10-15	Team presents oral and written draft reports to USAID and GOM on May 10; prepares revised draft report based on USAID and GOM comments; submits final integrated report to USAID project officer on May 14; travels to U.S. (Per diem location: Rabat)	6	6	12	
May 17-31	Checchi produces final report; arranges for translation of executive summary, conclusions and recommendations; submits requested number of copies and discs to USAID	-	-	-	
		Total	27	27	54

**TABLE 1**  
**PERCENT OF TOTAL EXPORTS BY DESTINATION**

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Total Exports <i>(in DH millions)</i>	34,858	37,283	33,958
All EEC	65	62.5	n.a.
France	(32)	(32)	n.a.
Other countries	35	37.5	n.a.

**TABLE 2**  
**PERCENT OF SMAEX-INSURED EXPORTS BY DESTINATION**

	<u>1990</u>	<u>1991</u>	<u>1992</u>
All EEC	92	94	89
France	(63)	(66)	(55)
Other countries	8	6	11

Source: Office des Changes

**TABLE 3**  
**MOROCCO EXPORT CREDIT INSURANCE**  
**Exports Insured/Total Insurable Exports**  
**(In DH Millions)**

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
1 Value of total insurable exports	16,984	18,560	23,539	25,863	24,148
2 Total exports insured (lines 4 + 5)	839	918	1,032	1,336	1,600
3 Percent of line 1	4.9%	4.9%	4.4%	5%	6.6%
4 Commercial risk	559	717	897	1,241	1,300
5 Political risk	280	201	135	95	300

Source: *Bulletin Statistique de l'Office des Changes* and the *Banque du Maroc 1991 Annual Report* for value of total insurable (i.e., private) exports (1988-1991) = total exports less phosphates and derivatives, minerals and metals.

Source for lines 2-5: *SMAEX 1991 Annual Report*

**TABLE 4**  
**Evolution of Exporters Insured by City**  
**(Cumulative in numbers and percent by year)**

City	<u>Before 1989</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
TOTAL	345	396	502	630	750	786
					(100%)	
Agadir	1	1	4	8	9	9
Ain Harrouda						1
Berkane	1	1	1	1	1	1
Berrechid	1	1	2	2	2	2
Bouknadel					1	1
Boukoura	1	1	1	1	1	1
Bouznika	1	1	1	1	1	1
Casablanca	231	270	343	440	522	549
	67%	68%	68%	70%	70%	70%
El Jadida			1	2	2	2
El Kelaa des Sraghna			1	1	1	1
Essaouira	1	2	2	3	3	3
Fes	17	17	26	27	34	37
Kenitra	7	7	8	9	11	11
Khemisset	2	2	2	2	2	2
Khouribga					1	1
Larache	1	1	1	1	1	1
Marrakech	6	6	7	10	16	16
Meknes	2	2	2	4	6	6
Mohammedia	6	7	8	11	14	15
Ouezzane	1	1	2	2	2	2
Oujda			1	2	2	3
Rabat	12	15	21	24	25	27
Safi	3	5	7	11	13	13
Sale	11	13	17	18	24	27
Settat				2	2	2
Tanger	10	12	13	15	21	21
Temara		1	1	3	3	3
City not known	28	28	28	28	28	28

Total new policies signed each year (not cumulative)

<u>Before 1989</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993 (thru April)</u>
345	51	106	128	120	38

(Total thru 1993 = 786)

Of the 786 policies listed above, 265 are inactive, leaving the total number of active policies as of May 11, 1993 in the categories below at 521.

Commercial risk  
Commercial and political risk  
Political risk  
Public sector risk

**TABLE 5****SMAEX Commercial Risk Coverage by Sector and Year (In Percent)**

<u>Sector</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Agricultural and food products	2.91	6.54	6.74	11.5
Textiles	44.51	61.81	61.74	64
Leather	10.55	9.51	9.46	10
Rugs and Handicrafts	6.10	5.31	5.28	2
Wood and paper products	24.32	13.22	13.15	6
Pharmaceuticals	0.14	0.62	0.36	0.8
Mechanical industry	2.49	2.16	2.41	4.8
Other activities and services	3.99	0.82	0.86	n.a.
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: SMAEX

**TABLE 6**  
**ASSURANCE-FOIRE INSURANCE COVERAGE**  
**(Trade Fair Insurance)**

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Number of exporters insured	17	19	31	41	31
Total coverage (DH000)	1,342.7	825.6	1,252.7	1,837.2	1,660.9
Claims paid (DH000)	285	73.9	472.6	712.2	602.7

Source: SMAEX

**TABLE 7**  
**Assurance Prospection Coverage**  
**(Market Development)**

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Number of exporters insured	6	6	4
Amount of insurance (DH000)	1,104	671	838
Claims paid (DH000)	70.6	46.1	52.3

Source: SMAEX