

AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/MOROCCO

PROJECT IMPLEMENTATION REPORT

AS OF 09/30/92

- 1. PROJECT NUMBER: 608-0191
- 2. PROJECT TITLE: Economic Policy Analysis Support
- 3. PROJECT PURPOSE:
Strengthen GOM capabilities in the development, appraisal and implementation of market-oriented economic policies.
- 4. PROJECT OFFICER: Mark Kraczkiewicz, Program Economist

5. BRIEF DESCRIPTION OF PROJECT:

The Project is the principal means for supporting the Mission's policy dialogue on privatization, financial sector reform, industrial and agricultural pricing and trade liberalization. There are three sub-projects. The Pricing Policy Sub-Project, now completed, provided long and short-term TA to support pricing reform. The Economic Policy Development Support Sub-Project provides a variety of technical assistance to the GOM and supports major activities in privatization and financial markets development. The Cereals Marketing Reform Sub-Project provides assistance to reduce government intervention in cereals marketing.

6. KEY IMPLEMENTATION DATES:

PP APPROVAL DATE:	08/31/85
PROAG SIGNING DATE:	08/31/85
FINAL CP MET DATE:	03/11/86
ORIGINAL PACD:	09/30/90
REVISED PACD:	09/30/94
LAST EVALUATION:	09/91
NEXT EVALUATION:	01/93 (CMR Sub-project)
AUDIT DATE:	TBD

7. MOROCCAN COOPERATING INSTITUTIONS:

Ministry of Economic and Social Affairs
Ministry of Finance
Ministry of Commerce, Industry and Privatization
Ministry of Agriculture

8. MAJOR CONTRACTORS/CONSULTANTS:

- Harvard International Institute for Development (HIID)
- Price Waterhouse (PWH)
- Development Alternatives, Inc. (DAI)
- Associates for International Resources and Development (AIRD)
- Purdue University
- Inter American Management Consulting Corp. (IMCC)

9. PRINCIPAL AID-FINANCED INPUTS:

- Technical Assistance: \$6,987,000
- Training: \$ 552,000
- Equipment: \$ 773,000
- Evaluation & Audit: \$ 288,000

10. PROJECT FINANCIAL ANALYSIS: (\$000'S)

A. COST ESTIMATES:

	ORIGINAL
TOTAL COST:	<u>11,500</u>
AID:	<u>8,600</u>
MOROCCO:	<u>2,900</u>
OTHER DONORS:	<u>0</u>

B. FINANCIAL DATA:

	GRANT
APPROVED LOP:	<u>8,600</u>
OBLIGATION:	<u>8,600</u>
MORTGAGE:	<u>0</u>
COMMITMENTS:	<u>6,532</u>
ACCRUED EXPS:	<u>5,081</u>
PIPELINE:	<u>3,519</u>
PIPELINE AS PERCENT OF OBLIGATIONS:	<u>41%</u>

11. AUDIT STATUS:

Audit Requirements being reviewed; however, it appears audit responsibility rests with Office of Procurement AID/W on most all contracts.

N/A (No cash transfert to GOM).

12. USE OF GRAY AMENDMENT ENTITIES:

Prime contractor:

Amount:

Interamerican Management Consulting Corp. (IMCC)	\$ 657,000
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13. STATUS OF HOST COUNTRY CONTRIBUTION:

- Only required for the Development Assistance share of total funding (\$2.68 million).

- GOM has been responsive in the following way:

- Providing office space for short and long term consultants
- Salaries of staff mobilized for working with the consultants
- Logistical support to EPDS activities (communications, transport, reproduction, computer time).

14. PROJECT STATUS:

A. OVERALL PROJECT STATUS:

The project has had a significant impact on developing Morocco's privatization program, bettering financial sector intermediation, improving cost recovery through utility pricing reform, and opening the economy to the forces of international competition.

The Sub-project with the Pricing Directorate has been successfully completed; the obligation for the Economic Policy Development Sub-Project has almost all been earmarked; Phase I of the Cereals Marketing Reform Sub-Project was completed and the Phase II is underway.

Grant Agreement and MOUs amendments were signed to extend the PACD to September 30, 1994 and to obligate the \$1.72 million mortgaged to the Economic Policy Development Sub-project (in addition to a small amount remaining funds the Pricing Policy Sub-project). Contracts for on-going activities were extended accordingly (Price Waterhouse, IMCC, AIRD, DAI).

B. PROJECT STATUS BY COMPONENT:

COMPONENT	STATUS
1. Pricing Policy Sub-Project	Completed: Microcomputers installed to handle a large data base and microeconomic modelling. The staff of the Pricing Directorate were trained in using software and in applied econometrics (time series, forecasting techniques, consumer price index projections). Training provided in applying utility pricing software. Case studies on 12 liberalized industries have been completed, documenting that removal of price control did not lead to anti-competitive practices or unfair pricing. These findings were disseminated to the broad public via a book which had been printed in 3,000 copies and distributed through public and private entities, including bookstores. Long-term advisor was furnished to assist in developing regulations and implementation of privatization law and strategy.
2. Economic Policy Development Support:	Under implementation: 51 requests have been received to date, of which: <ul style="list-style-type: none">- 34 were completed,- 12 were canceled or rejected,- 5 are in process.

Major Accomplishments:

Privatization:	Resident long-term advisor (previously funded under Harvard contract, now under Price-Waterhouse) on privatization has helped Ministry of Economic Affairs and Privatization to organize program of evaluations, select first firms for privatization, and update data on government holdings. Short-term technical assistance under buy-in to AID worldwide contract with International Privatization Group is being used to carry out individual privatization transactions and to establish employee stock ownership plans. A major study is to be launched on the privatization of public services, aimed at identifying and prioritizing those public services which could be provided by the private sector.
Financial Sector Reform:	Study of proposed stock exchange reform has resulted in several changes in draft law including making the Casablanca stock

exchange a private, self-governing entity. Study also completed on feasibility of establishing a secondary debt market for short-term Treasury bills, which was announced recently by GOM, would be a precursor to establishing open market operations by the Central Bank. Long-term financial sector advisor in Casablanca organized two study tours on the operation of secondary debt market and a local training course for professionals on international and domestic capital markets. He has begun to implement further studies related to financial sector reform and the institutionalization of a loan guaranty fund.

Reducing
Agricultural
Protection:

Seminar on current levels of protection and impacts on producers, consumers, and the government budget was held for mid and senior level officials. Report (for senior policy makers) highlights the impact of current and proposed methods to fix the level of protection for domestic producers of cereals, sugar, meat, vegetable oils, and dairy products. The report has been translated for broad dissemination. These efforts have helped to shape a Moroccan position more disposed to reducing agricultural protection in line with the IBRD's structural adjustment conditionality.

Other:

Assistance has been provided to the Ministry of Planning to 1) update shadow pricing parameters for use in appraising project economic feasibility, 2) to examine data collection on the informal sector, and 3) to prepare an analysis of the sources of economic growth for Morocco. Computers and computer training were also provided to the Ministry of Commerce, Industry and Privatization to improve its capability to analyze industrial trends. For this Ministry, a major study on the level of protection afforded Moroccan industry is being conducted; the study, including a survey on 200 enterprises, will provide the basis to reform the industry incentives system. These activities will all contribute to improving the use of techniques of economic analysis in project selection and economic policy decision making.

3. Cereal
Marketing
Reform:

This sub-project has as its goal the development of a cereals marketing strategy that will maximize marketing efficiency,

consistent with both long-run economic growth and national food security objectives. The four analytical working groups have completed the Phase I Plan of Work which concluded with a highly successful 2 day workshop held with approximately 140 GOM personnel and private sector cereals subsector operators. A Phase I Report containing a synthesis of existing knowledge and previous studies of the cereals subsector, preliminary diagnoses of problems affecting sector performance, and an identification of policy options to address these problems has already been published and widely distributed. A Phase II is underway, covering eleven major investigative topics identified during the previous phase. Phase II will continue during the next six months with the completion of studies on price collection, milling industry diagnosis, consumer demand and storage.

C. STATUS OF EVALUATION RECOMMANDATIONS:

The last evaluation focused on the Pricing Policy subproject, which was completed. All recommendations were addressed as of March, 1991.

15. SECTION 599 CONSIDERATIONS:

The Mission has determined that this project is in full compliance with Section 599 (A), (B) and (C).

16. MAJOR ACTIONS OVER NEXT SIX MONTHS:

A. STATUS OF MAJOR ACTIONS LISTED IN LAST PIR:

<u>ACTIONS PROGRAMMED</u>	<u>ACTIONS COMPLETED</u>
1. Sign Grant Agreement and MOUs amendments to extend the PACD to September 30, 1994 and to obligate the \$1.72 million mortgaged to the Economic Policy Development Sub-project.	ProAg signed 7/12/89.
2. Extend contracts for on-going activities (Price Waterhouse, IMCC, AIRD).	Done. Problem with AIRD extension.
3. Provide technical assistance to Ministry of Plan to analyze poverty and model consumption behavior by income class.	On-going. Problem with data availability. Books printed and

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| 4. Publish and disseminate case studies on industries benefitting from price liberalization. | distributed on 8/3/92. |
| 5. Final report on agricultural pricing including the impact of SAL II conditionalities. | Draft final report received 11/3/92. Contract extension problems (see above). |
| 6. Select after full and open competition a technical assistance contractor to help the Ministry of Public Works, Vocational and Staff Training in identifying areas for private sector provision of public services. | On-going. Delay in starting the study (see issues paper). |
| 7. Provide technical assistance to GOM to assess the effect of changes in agricultural prices and rural investment on rural and urban income and employment. | AGR action. |
| 8. Develop work plan for financial sector advisor and identify priorities for studies needed to advance Government's financial sector reform program. | Work plan submitted and approved by MOF. |
| 9. Finalize the study on effective protection afforded Moroccan Industry and open policy dialogue on competitiveness and, inter alia, industrial investment incentives. | On-going. Needs extension and increasing budget. |
| 10. Arrange for the evaluation of EPDS subproject. | To be done. |
| 11. <u>CMR Subproject</u> : extend DAI contract; develop policy recommendations for the eleven investigative areas and initiate the debate on the recommendations. | Contract extended. Phase II on-going. |

B. MAJOR ACTIONS OVER THE NEXT SIX MONTHS

a. Contractors:

- Finalize the study on effective protection afforded Moroccan Industry and open policy dialogue on competitiveness and, inter alia, industrial investment incentives.

- Implement the study for the Ministry of Economic and Social Affairs (Directorate of Planning) on the analysis of poverty and model consumption behavior by income class.
- Implement the study to help the Ministry of Public Works, Vocational and Staff Training in identifying areas for private sector provision of public services.
- Implement priority studies needed to advance Government's financial sector reform program.

b. Project Officer:

- Disseminate the final report on agricultural pricing including the impact of SAL II conditionalities.
- Provide technical assistance to GOM to assess the effect of changes in agricultural prices and rural investment on rural and urban income and employment.
- Prospect new activities for EPDS subproject.
- Arrange for the evaluation of EPDS subproject.

c. C.M.R. Subproject:

Review scope of work and execute evaluation of the Cereal Marketing Reform Subproject during late January/early February 1993.

17. MAJOR ACTIONS OR ACTIVITIES REQUIRING AID/W ATTENTION:

None.

18. MAJOR ACTIONS OR ACTIVITIES REQUIRING SENIOR MISSION MANAGEMENT ATTENTION:

None.

19. MISSION DIRECTOR ASSESSMENT:

- More frequent review of project is necessary in view of the number of substantive activities currently in process. For this, the Project Implementation Committee (PIC) should meet regularly, e.g. for debriefing of contractors executing studies. Mission should consider pursuing dialogue on policy issues resulting from studies.

- The PIC should determine the nature of formal evaluation/audit needed for this activity and schedule its implementation.
- The PIC should follow on recommendation of the Pricing sub-project evaluation in order to assess the need for further support to this completed component, either through this or other project means, especially in view of the movement of the Pricing Directorate towards regulating competition practices.
